

Discovery Institute Real Russia Project event: “**Russia: Friend, Foe, or What?**”

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Ambassador John Miller: My name is John Miller. I’m a professor at George Washington University, a former United States Ambassador at Large in the area of human rights – specifically, modern day slavery. But the real reason I’m here is that I’m a former chairman of the board of Discovery Institute, which is sponsoring this session.

I hope that you picked up the Discovery Views newsletter. Discovery Institute was started roughly a decade ago by a former colleague of mine, Bruce Chapman. Bruce, from his days on the Seattle City Council, as [Washington] Secretary of State and then Director of the U.S. Census Bureau, and as an Ambassador to the United Nations Organization in Vienna – Bruce always had the dream of a public policy institute or think tank located in Seattle. The mission of Discovery Institute is to discover, and promote ideas in the common sense tradition of representative government, free markets, and individual liberty. As many of you know, under that rubric, Discovery has been involved in everything from technology to tying the Cascadia [Interstate 5] corridor together in the Northwest – something that I helped start – to science and the renewal of culture, intelligent design, to work in various countries, the environment, and a lot of other issues.

Among many other projects, Discovery has a Russia project. We have a very distinguished panel today and the title that they’re going to address is “*Russia: Friend, Foe or What?*” Given the coverage the last few days in the major newspapers on Russia, it’s certainly timely and appropriate.

So what we’re going to do is first hear from Yuri Mamchur, who is Russian by birth, and is a Foreign Policy Fellow at Discovery Institute. Yuri is the creator of the Russia Blog and is director of Discovery Institute’s Real Russia Project. Yuri is going to talk about what the Russia project is and the blog. And then I’m going to introduce our two speakers after Yuri gets finished. [3:30]

Yuri Mamchur: Thank you very much for coming here today.

When Ambassador Bruce Chapman was creating Discovery Institute, he wanted to prove that there can be a think tank which would have national outreach and would make a difference in America and internationally.

He chose to locate it not in Washington, D.C. but in Seattle, Washington, completely on the opposite side of the country and outside the Beltway. [4:10] Later, Discovery opened an office in Washington, D.C. because that’s where things happen, but the main office is still in Seattle.

Discovery Institute and Bruce Chapman personally are known for taking up controversial and unpopular ideas and making them mainstream. I’m sure that all of you have heard of intelligent design, and the regional transportation project -- both of which don’t always do the popular things, but instead the necessary things. And now Russia...

The project is called the Real Russia Project because Discovery Institute’s statement is “to make a positive vision of the future practical.” Recently, the idea of positive relations between Russia and America has increasingly become impossible in most people’s minds. In the American press, everything we hear about Russia is negative. Almost any information about Russia that reaches an American audience nowadays is either sensational or negative. You don’t hear about positive things happening between our two nations. You don’t hear about positive changes that are taking place in Russia. Such negativity between the U.S. and Russia is simply not healthy. So Discovery decided not to cover up what is bad in Russia, but to show what is really going on there.

As of right now, the main part of our program is Russia Blog – located online at www.russiablog.org. The website has grown a lot in the last two years since we started, and now it gets quoted and picked up by CNN, FOX News, Google News and others – great media reach for such a modest program. The things we write about are usually very simple things – for example, what’s inside of a grocery store in Moscow. For residents of Washington State, it’s fun to know that Washington state apples are there – all kinds of them. Another example is information about investment in Russian IPOs (initial public offerings). It seems that almost nobody knows that Russia is issuing new IPOs almost every week. In fact there are many Russian business opportunities that hardly anyone knows about in America. On Russia Blog we write about issues both big and small, but in the end, they’re issues that matter but are not often heard by an American audience.

I just got back from Moscow a week ago and I’m going back there in two weeks. Today you will hear from Professor Ellison and Bill Robinson, our speakers, who have extensively traveled in Russia and are very knowledgeable experts. But speaking for myself, as a young man who grew up in Moscow and is a native-born Russian, I can say that the major difference that I see when I go back to Russia is the following:

A few years ago, Moscow was nice. Many people had good vehicles, buildings, boutiques, and everything else. But when you went to the countryside, you saw that it was almost devastated, and people [outside Moscow] didn’t have much hope. Returning today, one can find a great deal of hope and excitement about Russia’s future, and also see new developments such as a brand new shopping mall opened almost every month in Russia. Incomes have also grown by nearly 300 percent over the last few years. This is not just a matter of stores and statistics – these are personal stories of people in the countryside, stories that you can see all around Russia. There is a suburb of Moscow

where my grandparents live, where the roads used to be horrible, so we wouldn't drive there. It's amazing to go back and to see the change – the roads are smooth and the little town is booming with new constructions. Then it's very interesting to come back to America, and read the news [about Russia] here. [7:35]

Even if you're a Russian, when you stay in America and you read what is being written and shown here, you start to believe it yourself – that there is nothing good over there; that there is no hope for Russia, and there is definitely no hope for a positive, friendly relationship between our two countries.

But when you go back, you see that – number one – as my good friend says, both Russia and America are the only SUV nations. We both like trucks and SUVs and we actually need a reason to drive them – so that's the first commonality between the two of us. Second, on a more serious note, we are very multinational countries. Third, Russia is truly a multi-religious country since we have had Muslims and Christians living side by side since the 16th century – something not many people know about. If you go to Russia Blog, you can see pictures of Muslim mosques next to Russian Orthodox cathedrals which were built in the 17th century. So these are just little historical references.

Coming back to the present, I'd like to mention that this program is fully supported by American businessmen who are located in the greater Seattle area. Seattle has been leading the way in international business with companies like Boeing, Amazon, Microsoft, Starbucks – all very large companies. I think that Seattle and Washington State have the benefit of being far away from Washington D.C. because, no matter what happens politically in this town, it really does not matter in Seattle. People keep on going places and making money. Starbucks, for example, is having a very hard time opening their shops in Moscow – not because it's being persecuted by Putin or by the Russian government, but because there is already a [competitive] chain called Coffee House. And now with the depreciation of the American dollar, you can buy a latte which will cost you eight American dollars – but it's a very popular thing to do. So Starbucks has some trouble breaking into the Russian market.

As another [business] example, there are three IKEAs in Moscow, and a fourth one being built, all serving just one city. The State of Washington, where we're coming from, has only one IKEA for the entire state. These are just a few small signs of positive changes in Russia, and what is behind this trend? Is it a dictatorship that is being developed in Russia, and we just see, or I just see, the glossy part of it? Or is it something positive that Americans don't see and miss out on? I think, honestly, that it is the second, but again, we'll have two very knowledgeable American speakers here who will tell you their opinions.

All I know is that the Chinese, Indians, Brazilians, French, Germans, and Russians – everyone is taking advantage of the growing economy in Moscow. Everybody is buying stock, everybody is taking advantage of multiple opportunities, and as President Putin said in Munich in his speech critical of the U.S. – “Russia is one of the very few countries in the world where 25% of the natural resources [oil and gas] actually does belong to

foreigners.” If you go to Mexico or Venezuela – well we won’t talk about Venezuela – if you go to other countries you will not find such a huge percentage of foreign ownership of natural resources. Europeans and Asians are investing into fields like Russian car manufacturing [of foreign vehicles], development, construction, retail sector, infrastructure – roads, bridges, tunnels. So there are positive changes and almost none of them are being talked about in the United States. Negativity from the U.S. is now engendering negativity from Moscow in return.

Talking about common people in Russia, I have a lot of personal friends [Russians and Americans] who are getting married, Russians are coming to America for a visit, and they gain a lot of positive cultural experiences. I think it’s up to common people and businessmen in both countries now to figure out what our relationship is going to be like, since our governments seem to be deadlocked. Bill Robinson goes to Russia a lot, and he will tell you his vision of what he sees there as an American citizen. So why don’t I just hand over the podium to Ambassador Miller and he will introduce you to our speakers who will tell you more of an American perspective on Russia. Thank you so much for being here today. [11:38]

Ambassador John Miller: Thank you Yuri. Our first speaker – who I’ve known for many years – is one of the leading scholars on Russia. He certainly was one of the leading—if not the leading—scholars on the Soviet Union. His research and writing on the former USSR is probably read by many of you in this room. He continues to observe Russia and recently has come out with a new book on the Yeltsin period in Russia. He was the director of the George Kennan Institute here in D.C. He has been chairman of the Henry M. Jackson School for International Studies at the University of Washington. He now has a center named after him at the University of Washington – the Herbert J. Ellison Center for Russian, Eastern European and Central Asian Studies.

I have found Herb to be a very keen observer in the past of what is going on in Russia, and I look forward, Dr. Ellison, to hearing your remarks today. [13:16]

Professor Herbert J. Ellison: Thank you very much John, for that kind introduction. I hasten to assure the group that the naming of a center at the University of Washington, while it had some relationship to my long role there, also had a relationship to some very generous relatives of mine who created the endowment [laughs]. They were helped by a man who I first met when I was a freshman at the University of Washington named Bill Gates, and he was at law school at that time. That was long before he married one of my best friends in high school Mary Maxwell, who became Mary Gates, and it’s been a fascinating experience for me to follow the progress of that remarkable family. [14:38]

This subject of America and Russia today is enormously important, both to the Russians and to ourselves, and it has a great deal to do with the understanding of the Russian President, Vladimir Putin. I had the extraordinary experience some years ago of being called by George Russell down in Tacoma, with whom I’d traveled, with his Russell

2020 on several trips to Russia, and asked if I could possibly host a German banker from Dresdner Bank that evening, and I took the gentleman to dinner. He later became sort of second in command at Dresdner Bank – George’s friends tend to be influential. The fascinating part of that evening with him was that he had been sent by the Dresdner Bank some years before to St. Petersburg, to get the bank’s operations started there. And his assistant then was a young man named Vladimir Putin, whom the liberal mayor of St. Petersburg had chosen for this crucial function.

He gave me an extended description of this man’s remarkable talents, and ended by saying that he hoped very much he could become a prominent figure in Russian politics – that he could provide the kind of leadership that was badly needed in a whole range of areas, not least the economic. As I think back on that discussion, and as I watched the performance of Putin, I thought of this man’s remarks many times, especially in view of the negative image of Putin that so often appears in the Western press and also in the articles and books of intellectuals in both Europe and the United States (but particularly in the United States) who give him some very stern rebukes on numerous occasions. On balance, I think they have done a very poor job of describing what he has done, what talents he has, and what the implications of all of that are for the future of the country.

I took up the book I recently just completed on Boris Yeltsin, because I was convinced there was much the same kind of negative press being given to Boris Yeltsin, despite the fact that I had observed him as a very effective and formidable leader in the Russian democratic movement, and a man who later, because of his strategic and tactical talents in politics and his democratic commitment, played the key role in the victory of democracy over communism in Russia. Yeltsin not only did that, he also assumed the key role in crushing the counterrevolution that was attempted in 1993 as a protest against the scheme which his friend had agreed to carry forward. Yeltsin’s friend, the Russian President at that point, had agreed to make a constitution for restructuring the Soviet Union that would have given these republics a genuinely democratic center and would have required for their membership the establishment of fully democratic regimes in their individual countries.

So this counterrevolution aimed to prevent what these leaders saw as the end of the Soviet Union, and the possible leadership of Russia proper by the man already elected President of the Russian Federation, Boris Yeltsin, whose democratic instincts they found unwholesome and undesirable. These events, coming at the end of the Yeltsin era, seem to me to require people to look back and see what things were said about him in earlier years. And some of these things were completely off target as an estimate of this figure who in my book I conclude by saying, “was one of the most important political reformers of the 20th century.”

Now this negative image of Putin, as you all well know, tends to stress his eagerness to build a much more powerful Russian presidency. It tends to stress the fact that he has made some changes in the constitutional structure of the country by fiat rather than by action of the Parliament or by popular referendum. There are many other reasons for the

opposition, not the least of which was his ransacking of the oligarch community at the very beginning of his presidency – and I want to say a little bit about the reason for that. I wanted also, before I move on to the Putin era, to say that there were similar problems of this kind for Gorbachev, in the early history of his presidency. One of his major opposition groups was the Russian military, where the leaders were very angry because he was negotiating intensively with the U.S. government for a massive reduction of nuclear arms, which was a thing eventually realized in the Reykjavik agreement in 1986. [20:45]

The comment of these military leaders at that time was that he [Gorbachev] was weakening Russia’s military position *vis a vis* the United States. I had an extraordinary privilege some years ago where I was invited to a conference at the Reagan Library in Simi Valley on the 10th anniversary of the Reykjavik agreement. There were many people who had been key figures in the Russian government at that time who were there to discuss the whole event and its importance and to pay their tribute to Ronald Reagan, who was already then in very bad condition and not able to be a conference participant.

I had gotten to know Reagan when I was running the Kennan Institute, because when I had raised an issue with him that I would like to have discussed, I got a telephone call back saying that the conference was funded, and that he would like to host it in the East Room of the White House. And so I got some sense of the kinds of interests he had in international affairs from his discussions at that conference. But I want also to say that the man who was his main advisor in foreign policy towards Russia – Jack Matlock, the last American ambassador of the communist era to the Soviet Union, and a man who had 26 years of service in Russia, knows the country well, was an immensely enthusiastic supporter and scholar specializing in his post-retirement years... he’s published an excellent book on the end of the Soviet Union, and he’s also published an excellent book on Reagan and Gorbachev, in which he described superbly well the interaction between these two men and the way in which their relations played such an important part in that crucial event – the Reykjavik agreement. [22:58]

Now the important consequence of what followed, or consequences that followed from that event, are often not adequately examined. What I would like to stress is that it gave Mr. Gorbachev the confidence that he could go ahead, and initiate a policy allowing the independence of the communist states of Eastern Europe if that was their preference – independence from communist rule. That major current that came in the later part of the leadership of Gorbachev certainly helped to pave the way for the more radical changes that came later in Russia itself. It was interesting to me on the occasion of the interview which Gorbachev and Yeltsin had about these events in Eastern Europe, Mr. Gorbachev said that while he was pleased that they had got their freedom, on the other hand, he himself still believed in communism. When Yeltsin was interviewed on the same issue he said, about these revolutions, “Good for them, I hope we won’t be the only nation to enter the 20th century guided by an obsolete ideology from the 19th century.” So he showed a distinct lack of enthusiasm for the perpetuation of the communist system, and he later became the leading figure, the leader of the Russian democratic movement that eventually broke the power of communism in the Soviet Union.

Now this leads me to saying a few things about Mr. Putin, which was really my assignment. It's terribly important in looking at his performance to begin by taking account of the challenges he faced when he took power in 1999. He had been chosen, I'm sure, by Yeltsin chiefly because of the brilliant performance he gave in organizing a substantial pro-government majority in the parliamentary elections of December 1999.

A success of that kind had eluded Yeltsin throughout the entire period of his presidency, and his prime ministers or previous prime ministers and others had never managed to do the kind of work that Putin did, remarkably, rapidly, in building support. [25:43]

I'm sure that must have been one of the major factors in Yeltsin's decision to choose Putin to be the next president, to name him acting president when he resigned, and to prepare the way for Putin to run for the presidency on his own independent initiative. A second major factor about that transition phase is that the economic condition of the country was catastrophic. Many of you probably remember that the year 1998 brought a fantastic economic and financial collapse with tremendous consequences throughout the economy, which was a result of the extension of the East Asian economic panic and it hit Russia particularly hard because it was very weak – the government was very weak financially. This disastrous collapse had as its extended consequence massive unemployment, failure of many key government programs, and a situation which required immediate attention. This is one of the tests to which Putin's attention was put. It was clear when he came to me, that the description I got from the German banker, was a very apt one of Putin's talents and potential.

A third very important challenge for Putin was the need for strength in Parliament to do many things. Yeltsin had tried throughout the Nineties to build an effective majority party, and he never succeeded. Good reason for him then, to be encouraged by Putin's potential as a successor to him as President, since that was, especially in the wake of the financial collapse, which was much related to the failure to pass programs which the anti-Yeltsin majority in Parliament opposed...it was terribly important for Putin to have the skill to build parliamentary support.

Well, he proved himself in the parliamentary elections in December, he would then win election to the presidency, and he would then proceed to seek means of extending the power of the governing party to transform the institutions and policies of the country in a way that important areas (and the fiscal was one of them) had eluded Yeltsin throughout his presidency. Well he did that, very interestingly, by creating the United Russia Party. Putin had shown Yeltsin his ability in these kinds of negotiations before he became acting and then President, but Yeltsin had a chance to see how very effectively he would do it subsequently. The very thing that Yeltsin's supporters earlier had failed pathetically to do, Putin did remarkably rapidly. And if you look at the electoral results over the course of 1990s under the Yeltsin presidency, it is absolutely fascinating to see what happened.

One of the major problems of the Yeltsin era was the enormous power of the Communist Party. The communists had 48% of the seats in parliament at the end of Yeltsin's presidency (I should say that before the end of Yeltsin's term, Putin reduced that number

somewhat in the elections held in December 1999). In addition, there was a very large problem of the Russian ultranationalists. A man named Zhirinovskiy, who named his party the Liberal Democratic Party [of Russia] – it would have been better called the Russian Fascist Party – but he intended to use nationalism as his main weapon in the political struggle with Yeltsin in his effort to build his own power.

The combination of the LDPR and the communists denied Mr. Yeltsin his control of parliamentary votes throughout the greater part of his presidency. So when he wanted, for example, to get private property in land, or a commercial banking system, all of these things, he was immediately opposed by that group. [30:43]

Putin came in and began to sort those things out remarkably quickly, to build a majority party, and to do a massive transformation of the banking system in Russia, of the whole system that affected the financial world. Putin was able to turn around the financial collapse in a very short time.

You’ve been aware, I’m sure, and if you read regularly the financial journals, in the fall of last year, just on a monthly basis, the tens of billions of dollars that are being invested in Russia and in many industries (one of the most popular being the energy industry, but many others as well) as evidence of the way in which he had managed to build a new stock market, a new banking structure, the whole financial environment which would encourage (along with the stability he was building politically) to encourage this transformation. [31:57]

Within a few weeks after becoming president, he got a law on private property and land, which had eluded Yeltsin for many years, and he got a low standard tax of 13 percent which was welcomed by all groups of the population, I think, even those for whom thirteen percent meant a few rubles.

The point is, he had really reversed Russia’s position in this awful economic predicament, which had led to financial collapse in the Nineties and which caused so much suffering in the country. Well this is why, when you read the public opinion polls – and we’ve been examining several of these recently and I’m sure you have been too – Putin is enormously popular, with 80% sort of a standard figure of endorsement of his position. This sense of the way in which he has turned around the negative conditions in the country – in the economy, in the government’s support of education, of pensions, a whole range of other things – this is very good reason for it.

This leads me then to the question of why so much of the journalistic and academic commentary on Putin continues to be remarkably negative throughout. One of the reasons is his increase of presidential power. It’s an interesting point that the Russian presidency was a very weak force without a strong parliamentary base – now he has increased presidential power mainly by building a new party which has a huge popular endorsement and which gives him the chance to get the parliamentary majorities he needs. So that’s a very important part of his increasing presidential power. [34:11]

I found this particularly interesting because I was struck rudely some years ago when I published an article on Yeltsin’s new constitution, in which he had increased the presidential power substantially, because the power he inherited in the Soviet-era constitution didn’t much matter because the power of the Communist Party governed everything. Some years later, one of his first strokes against the Communist Party was to eliminate Article Six of the constitution which gave the party monopoly political power. What Yeltsin wanted when he did the new constitution for Russia was to increase the presidential powers. I won’t bore you with a careful examination of the constitutional structure and its presidential support but the point is that he had increased the presidential power because the majority of the parliament was still anti-reform.

It [the system] was inherited from the communist era and Yeltsin had not had the chance to build the new democratic, reformist party that he needed, and so what he did was to try and get better constitutional powers. One of Yeltsin’s colleagues, a thoroughgoing traitorous colleague, turned against him and joined with other groups – including a Russian general who had been one of the leaders of the attempted coup against the democratic transformation of 1991 – General Ochalov. They joined and tried to overturn his government by violence. Yeltsin then called in tanks and fired on them in the White House [Russian Parliament building] and eventually scattered them. But the interesting thing to me was – the attack I got for writing this article – was that I had endorsed his new constitution and the reasons he had done it. And it struck me at the time, as with so many things about Putin, that there was a certain lack of appreciation of the context in which this president was operating, and of the fact that the things he was doing would, in the long term, improve the condition of the country. [36:32]

That is why, when Putin came in, and reduced the communist party vote from 48% to 11% – and it’s gone down since – Yeltsin expressed warm admiration. Speaking of warm admiration, on Yeltsin’s last birthday in October, Putin was interviewed about his opinion of his predecessor, and he said, “There is one very important thing one can say about him – he gave us freedom.” And I think Putin was quite right to say that Yeltsin had led to the victory of the democratic movement and through the new structure. [37:19]

The point I want to break out of this is that I think there is a considerable error in much of the writing about Putin which provides a negative estimate, and fails to give adequate attention to the remarkable achievements of this period. And I have already indicated that I felt the same way, very often, about the treatment of Yeltsin. I’m not quite sure why that has continued to occur, but he has done another thing for which he has been criticized – he has massively reduced the corruption in the Russian governmental apparatus. Now like Yeltsin, he did this in a way that did not require a public vote on what was a constitutional change, and that was much resented, especially by the people [Russian governors] who were removed. But the point was, he felt that the only way he could be confident of the support and effectiveness of the regional governors was to have some role, some check, on the current process of their selection.

Now I won’t go through all the details of these changes, and I, in one or two cases, did not accept all of them as justified in the circumstances. But I do think it is terribly

important, as people examine the performance of President Putin, and the changing condition of Russia under his leadership, that they give very attention to what he has accomplished cumulatively, and what is the direction and promise of the reforms he has underway now. I’m not going to say that he has never made a mistake. He is, like all of us in this room, a human being. There were one or two examples where the changing of the governmental structure, for instance the changing of the structure of the Russian Parliament, was the one area on which Mr. Yeltsin criticized Putin. Yeltsin said that he accepted the legitimacy of the changes but he would like to have approval of these by a popular referendum, and I think that this would have been, as Yeltsin implied, a better thing for Russian democracy. [40:00]

I hope that some of these comments on Mr. Putin’s performance will be useful for your thinking about that country, and if I’d had more time, I would have said a bit more about the foreign policy area, in which he is on a very distinct collision course with our President. That was clear from his speech in Munich. I do hope that not only could we develop on this side a better sense of Putin’s accomplishments, but that we can, through our President and Secretary of State, Republican or Democratic, work out an improved relationship with Russia, which is going to become a vastly more important country on the international scene, as its recent economic performance demonstrates, and whose progress is both very promising and very important for us. Thanks. [Applause] [41:06]

Ambassador John Miller: Thank you Herb. Keep your questions in mind, I’m sure that there will be plenty of questions but before we get to questions, we’re going to hear, for fifteen or twenty minutes, from Bill Robinson. Bill has been a lawyer, a representative of businesses in Russia since 1990. Bill is constantly traveling throughout Russia. Bill is not only directly involved with businesses, but also with setting up Rotary Clubs in Russia. Bill has been in Russia recently, and we welcome Mr. Robinson to give his thoughts.

Bill Robinson: [42:09] Thank you John, and it’s a pleasure to be with you folks today. I have represented over 150 clients and projects in Russia and other [former Soviet] republics over the last fifteen years. I am fortunate that a third of those have been Russian companies, a third have been Western or Asian, and the other third joint ventures. That, coupled with working on rule of law and civil society projects, including working with NGOs, has given me a broad perspective. I have seen changes from the inside out, as well as developments that go beyond my commercial practice.

I want to comment on four areas. One is to pickup where Herb left off on Western perceptions of Russia versus reality from the view of a practitioner; changes in attitudes I have encountered in Russia in response to U.S. policy; legal reform and the rule of law; and finally, several key issues from a business perspective going forward.

Investors have global choices, and why not Russia? I find it interesting that investment in China over the years is ten to one over the years, compared to Russia – despite the fact

that Russia has tremendous natural resources...oil, gas, minerals, fish, timber...and human resources, with a 99% literacy rate. Most importantly, Russia has made the fundamental commitments to democracy and a market economy that China has not yet made. And yet, investors are seldom advised against investing in China because of political risk. With these advantages for Russia, why the disparity in investment results? I think it goes to that issue of perception versus reality.

I do not think that the West understands three challenges that Russia has been facing that have no historical precedent: the transition to democracy, the transition from a centrally planned to a market economy, and making this political and economic transformation while creating relations with the new neighboring foreign countries [former Soviet republics].

There simply is not an appreciation for how difficult the task is, nor of the resilience and ability shown by the Russian people thus far to cope with it. The progress achieved may seem slow, but it is remarkable in view of those challenges. The Western media has failed to communicate the successful political transition that Herb alluded to, marked by the development of legislative support in the Duma for continuing reform. Instead the storyline is that democracy and personal freedoms are in trouble.

That is not my experience; that is not the Russia I know from working in the regions, and most of my work is in the regions rather than in Moscow. Regarding freedom of the press, I am not alarmed that the fundamental freedoms of the press are in jeopardy. The Western media was critical of oligarch control of TV in the Nineties. [Russian] network TV may be state owned now, but you don't need to watch much of it to find criticism of the government. There are 600 independent newspapers, and regional TV is largely independent...then there is the Internet, with 28 million adult users. I agree with Russian Foreign Minister Lavrov's advice to Dr. Rice when he said, "If there is concern about media freedom [in Russia], just watch Russian TV, read Russian newspapers, listen to Russian radio." That is still good advice.

President Putin is obviously popular, as Herb noted, with 71% of the vote, and depending on the polls, somewhere between 75 and 85 percent popularity. Those numbers are simply hard to accept in this country when we are so divided, so the assumption is that he must be doing something wrong. And yet, my experience...and it's certainly revealed in the economic statistics – an 11% increase this year in real disposable income, 6 to 7 percent increase in GDP over the last eight years – is that he is providing the leadership that Russians want, while trying to balance these issues of state control and order with personal freedom...hence the popularity [of Putin].

The Western media and political response to the deaths of Andrei Kozlov, Anna Politkovskaya, and [Alexander] Litvinenko was shameful. The knee jerk response was to abandon any self-proclaimed Western presumption of innocence, and instead was to immediately charge or infer that the Kremlin and President Putin were somehow responsible for all three deaths – this despite the lack of any rational motive, and the fact that it would be difficult to imagine any act that would be more damaging to the [Putin]

administration. There was no apparent consideration of the possibility that, among the 20% or so people who oppose President Putin [in Russia], who might have been responsible [for these crimes]. I would describe that 20% as those who are opposed to reform, and who have a vested interest in thwarting better relations with the West; the ultranationalists; and the liberals who are in disarray, and unable to get even the 5% threshold to be on the ballot. I think the first two categories are the more logical targets for concern. [48:00]

I have said for years that Russia is not a good place for foreign investment unless it is a good place for Russian investment. Confidence in the government is reflected in the economy. In my view, the most significant sign of confidence is the fact that Russian capital is coming back to Russia.

This year the net capital inflow is on the order of \$42 billion dollars. It is clear that a tremendous amount of Russian capital is coming back to Russia. It may come from a bank in Cyprus or Seattle, but it is Russian capital coming back to Russia.

The view in the West is still that only a select few in Russia have money. I was in Siberia three years ago working in Barnaul and other towns in Altai Krai on civil society projects, after which I was in Novosibirsk where we had a press conference. I told about all the new construction, increased consumer spending, the apparent prosperity – bars were full, restaurants were full. Then I made the comment that if you read the Western press, you would think that only seven guys in Russia had any money! Those positive economic changes are certainly reflected in what Yuri described in Moscow. It is the same trend, and very encouraging to see similar development in the regions.

With respect to the attitudes toward Americans – I was surprised in 1990, after years of Cold War, at the euphoria regarding future relations, and with apparent Russian affection for Americans. You have to ask: why was that so, after fifty years of Cold War [confrontation]? Because we are so like each other, even in the diversity of our peoples. Countries with wide open spaces, sea to sea, north to the pole, [fighting] on the same side in the two world wars. Russians are not old European, they are not Asian, it is easier in a lot of ways for them to relate to us than any other people in the world. And yet that path has not been smooth, and those attitudes have deteriorated over the past fifteen years, [50:00] and they have shifted to an attitude of skepticism and cynicism about what our intentions and hopes for Russia really are.

9/11 gave us another chance. Within hours, I was receiving condolences from all over Russia, from friends in business, in Rotary, and other areas....clearly they identified our lot with theirs. President Putin demonstrated great political courage when he acquiesced in the presence of NATO and US forces in Tajikistan and Uzbekistan, over the objections of his Defense Minister and most of the Russian people. He cast his lot with the West, and yet, since Afghanistan, he does not have much to show for it. We have continued to expand NATO; we are planning missile and radar installations in Poland and the Czech Republic, and we have not even repealed the Jackson-Vanik Amendment...I could go on and on. This is not the way you treat a friend.

My short answer to the title of this program, “Russia: Friend, Foe or What?” is: I think Russia is a friend, but we don’t treat our friends very well.

We are critical of Enron and Worldcom but we are not critical of Khodorkovsky. We apply double standards to Russia, whether it’s compared with China, or a dozen other things we don’t have time to get into. We’re critical of Russia’s domestic policies, but not of other allies who are not even democratic countries, and which have not made the democratic decisions that Russia has made. I think that President Putin, in response, has been calm, and even charitable in view of these offenses. He has taken the high road, and resisted those in his administration and the Duma who have called for a more retaliatory response.

At the Munich security conference, when he spoke candidly, using the same terms, and addressing the same issues that have been joined by diplomats on both sides for years, the Western media and political response was – again – knee jerk and hysterical. I forwarded the text of his presentation at Munich to clients and colleagues with an interest in Russia with the comment that, “with all the controversy and commentary that it sparked, it is interesting to read what he actually said. I find little that should be surprising or offensive to those who track U.S.-Russia relations.” And yet the US reaction has been the subject of headlines and negative editorials for weeks now, and in my view, undeservedly so.

We need to elevate the role of Russian policy, and recognize Russia as a strategic partner. Democracy is always a concern, but the primary business of U.S. foreign policy should be the foreign policy, not the domestic policy, of another country. The recent U.S. State Department report on human rights in countries, including Russia, made gratuitous comments with respect to Politkovskaya, victims of political repression, the restrictive new NGO law, and so forth. That was not helpful.

In considering U.S. support for civil society measures and assistance in Russia – and there is a real difference between rule of law projects promoting corporate governance and jury trials, and interference and unsolicited advice on elections and the internal politics of another country. We need to recognize that. If we do give this unsolicited advice, the Russian response is usually, “You’re wrong” or “It’s none of your business”. Both are usually correct responses, and in any event, it is counterproductive. It does not, it certainly is not, going to achieve its intended result.

I am pleased that Herb made the comments he did about corruption. I think that there is tremendous progress being made, and surveys show a decline in the percentages of the budget allocated to corruption and companies that are involved in it. My advice to clients for years has been that the best way to avoid corruption is to comply with the law, and avoid putting yourself in a position where you can be compromised. One success story involved a client – a Russian-American client – who was the victim of an elaborate wire fraud scheme. But they had conducted themselves properly in Russia, so that they were able to go to Russian law enforcement and the FBI for assistance. We ended up with the

first Russian wire fraud case where the FBI actually recovered the money, after we traced it from Magadan to Moscow to Riga to New York to San Francisco. A long story, but the object lesson is: if a company does not comply with the existing regulations in whatever enterprise they are in, they become vulnerable and have no recourse to law enforcement. [55:10]

Regarding enforcement of contracts, shareholder rights, and judicial reform – that is an area where I continue to be encouraged. I just came back from a rule of law project in Primorsky Krai, meeting with some of the same judges with whom I met three years ago on another rule of law project. I found that their attitudes had changed with respect to jury trials, for example, from being very negative, to being very positive, and ready to welcome workshops for attorneys and judges on how to conduct jury trials. We also found senior judges in the courts who are true reformers.

I have worked in Primorsky Krai since 1990, and I have had clients who were poster children for victims of corruption. I do not have any illusions about how difficult the legal environment is. If you don't want to do business in that part of the world, I can give you a hundred reasons you have never thought of [but those would not outweigh the opportunities and positive factors]. But I can tell you that I am tremendously encouraged by the progress that is being made in terms of the rule of law in Russia. Legislation continues to improve. We want two things from Russian law that are absolutely irreconcilable: we want to know exactly what it is, and we want it to change; and that is the tension we are going to have to live with.

I want to mention four things that I believe require attention from a business perspective. The first is a question: is Russia a rule of law or a relational economy? I think it's both right now. It's more relational, I think, than even China. I always make this point by quoting Rudyard Kipling. Russians and Americans both read Kipling, and we all know the verse, “East is East and West is West and never the twain shall meet.” But how many people remember the last line of that verse? “But there is no border, breed nor birth, when two strong men stand face to face, though they come from the ends of the Earth.” It's the opposite of the first line. We often use that first line as an excuse not to engage.

As a lawyer, I do not mean to diminish the role of law, but if you do not have the right personal relationships in a Russian project, and the right understanding among the participants, no number of lawyers or contracts is going to save you.

Public/private sector issues – another key point. Ownership – the role of the government in Russia is changing from one of administering the economy, to one of regulating the economy, from owner to tax collector and regulator. The energy sector is probably the one with the most activity in this respect. The government is reasserting its position and ownership of some state resources, and we are becoming more experienced with the concept of state capitalism. [58:00] But at the same time, we see more privatization in the utilities sector, with UES and others putting out private offerings in that arena.

It is not our role (meaning the West) to decide who owns resources, or whether they are developed by public or private sector organizations. That is a Russian decision. My point is, there needs to be a set of clear signals as to how those resources are going to be developed and marketed.

Third, project financing and creation of capital – Russia is going to be developed by Russian capital, but we need to have a legal regime in place for that capital to be bankable. That is probably one of the most significant developments in the last eleven years in Russia, with passage of hundreds of commercial laws. For example, for land to be valuable so it can be used in project financing, four things have to be present: you have to have the right to own it, the right to mortgage it, a registration system, and the rights have to be freely transferable. That is all in place now in Russian legislation.

Intellectual property involves the same sort of issues – the right to own it and protection of those rights. There were two schools of thought about intellectual property when I began working in the Soviet Union. One thought was: we are a poor country and we can't afford Microsoft, so it's ok to steal it. The other school of thought was: we are as smart as anyone else in the world, and if we do not have a legal regime in place to protect our work and our efforts, then they will be worthless to us. That second school of thought is winning out. It takes a while for the culture to catch up with the law, but the trends are moving in the right direction.

My final point regarding legal issues is risk. I am tired of people patting me on the back saying, “Bill, I would really like to work in Russia, but it's too risky.” Well, risk in the abstract is absolutely meaningless. If they are talking about expropriation or nationalization, true political risks – no responsible commentator thinks that's a significant risk [in Russia], and if you do, it is an insurable one. The real risks are other financial, liability, contractual, operational and strategic risks – the same risks that may exist on any project anywhere in the world. There are strategies available to contain or manage those risks, whether it is contractual, insurance, due diligence, putting a price on it, dealing with compliance issues or corporate governance – there are strategies to deal with each of those risks.

In conclusion, the transition is far from over. We need to treat our relationship with Russia as a priority. There is simply no excuse for ignorance about what is going on, and we cannot afford to be behind and uninformed in our thinking about Russia. We need to get beyond the headlines, and tap in to the many diverse and credible sources with regard to Russia, and to make sure that we have a clear perspective on Russian reality. We welcome your questions. [Applause] [1:01:02]

Questions and Answers

Ambassador John Miller: We're going to get to questions, but as the moderator, I get to ask the first question. I think it's a question that cries out to be asked. I mean you've

been – our speakers have been talking about how the West doesn’t understand Russia, it’s negative...I don’t think that the negativity is primarily related to the Russian economy. We know it’s going up. I don’t even think that it is primarily related to Mr. Putin’s presidential powers – they’re going up. I think people are aware that he [Putin] is popular in Russia. But if you read – and of course, in the last month, preparing for this, I read nearly every article on Russia – the criticism is, relates to, the fear that Russia’s democracy is moving the wrong way, that the opposition is being suppressed.

Two examples from the last couple of weeks...and you can comment...we have [Garry] Kasparov and a former Prime Minister [Mikhail Kasyanov] in Moscow as part of a demonstration. Kasparov gets arrested for shouting anti-government slogans in front of a crowd. But before that an even larger demonstration in Novgorod, the third largest city in Russia, where, if the press reports are to be believed, the police went around and arrested the leaders of the demonstration before the demonstration. Then they [the police] arrived in overwhelming force and broke up the demonstration and sent a government-sponsored school march through the city. This is the kind of stuff that gets in the Western press and makes people uneasy about President Putin.

So if any of you would like to respond before I yield to other questions, I would like to hear it, because that’s what the press has been covering in the last month. [1:03:50]

Bill Robinson: That is why we have a problem. Garry Kasparov, who is backed by [the exiled Russian oligarch Boris] Berezovsky, was very cagey about the way he pulled that demonstration off. You cannot have a major demonstration in any city in the world without complying with whatever the local government’s regulations are as to how and where a major demonstration may be held. He [Kasparov] was given a permit for a favored place to have his demonstration, and everyone knew where it was. He deliberately chose another location to fight the government and create a scene to get attention in the Western press. It’s that simple. We’ve never had issues in this country, have we, where we’ve had overreaction by law enforcement with respect to demonstrations, have we? This has never been a political issue...

Ambassador John Miller: I think I heard this equivalence argument before years ago, I mean, it’s just like in the U.S. you have to get a permit for a demonstration. But Bill, he was arrested for shouting anti-government slogans. And in Novgorod, and if the press reports are wrong sometimes...a photographer and a journalist were arrested. Is that something that goes on in a democratic state?

Yuri Mamchur: I’ll be the one to answer, Bill wants me to answer the question from this point. First of all, Ambassador Miller, where did you read that Kasparov was arrested for shouting out anti-government slogans?

Ambassador Miller: *The New York Times*.

Yuri Mamchur: I also came prepared for this forum to [speak on this topic]...I went on the websites of opposition newspapers in Russia to get a better sense of what's going on. Unfortunately, I couldn't find much because the major news was the shooting at Virginia Tech. So that's how big of an event it was [Kasparov's demonstration] even for the Russian opposition right there. However, all of the articles I managed to read, and again these were not pro-government websites, they were saying that these were paid demonstrators, who deliberately chose before the event that they were going to the wrong place, they were aggressive, they were inappropriate, they got into fights, and they did all that to make sure that the Western media cameras would show up there ahead of time and be turned on.

So again we have Americans reading *The New York Times* describing to us what happened and...it would be one thing if *The New York Times* said that Kasparov was arrested, and ask “was he arrested for shouting anti-government slogans?” That would be responsible journalism. But to go ahead and write that Kasparov was arrested for shouting anti-government slogans, is a lot like the *Weekly Standard* writing “Putin gets away with murder” – I think that was the title of an article after Litvinenko died. Since when did *The New York Times* or the *Weekly Standard* become a judge and a jury to decide such things?

The Kremlin today issued a statement in which it apologized for the incident and admitted that the police did overreact [to the demonstrators]. Again, I think it relates to the transition [that Bill talked about]. You can imagine what would have happened in China or in the Soviet Union with an anti-government demonstration. So there is a transition, it's a mental transition concerning how to handle such situations appropriately. Russians definitely have a lot to learn on how to be more peaceful, how to handle things more democratically and more gently so that later on you don't have cameramen filming police [forcefully] dispersing a crowd. On one hand, we have the Kremlin that needs to learn how to handle things more smoothly, and on the other hand, we have an opposition that has absolutely no votes, or certainly not enough votes to get into parliament.

There are many liberal parties in Russia, and if they had united they would have had the chance to go through [the 5% barrier to seats in parliament]. But they aren't driven by ideas. They are driven by funding from oligarchs abroad, they are driven by their personal agendas. We have the former prime minister, who does not have his one percent [of the votes; Mikhail Kasyanov's nickname is “Mikhail 2 Percent”]. We have Kasparov, and, unfortunately, only Americans know that he is a political leader. Russians don't know that he is a political leader – he is a chess player, and now he is a joke because Russians think that it's kind of an urban legend that he is a political leader. That's what Russians think of him. I was in Moscow again just a week ago, and I didn't just stay in Moscow, I went out into the countryside. Bill came back from Russia two weeks ago. Kasparov is an urban legend as political leader to Russians, that's how much he matters.

Ambassador Miller: Let’s...I was just going to let others ask their questions real quick...

Bill Robinson: A colleague of mine, Sharon Tennison, is President of the Center for Citizen Initiatives, and she just put out a very good piece that provides a detailed and direct response to your question. Many of you may know that she had a group of 100 young Russian entrepreneurs here in D.C. about two weeks ago. She is a person I have gotten to know through Rotary, and respect tremendously. I would have you go to the Russia Blog; I understand from Yuri that selected [CCI] material will be on the Discovery Institute website through the Russia Blog. [1:09:20]

Ambassador Miller: Could you please identify yourself and if you’re with an organization. Please speak up and address your question to any member of our panel...

John Wohlstetter: My name is John Wohlstetter, and I’m a Senior Fellow at Discovery Institute.

A couple of things that concern Americans like myself about Russia are: Putin’s activities in Iraq, where he sent *spetsnaz* troops in to Iraq before the invasion to help the Iraqis cart away and destroy all sorts of what were no doubt probably very fascinating files. [1:10:27] I didn’t get this out of *The New York Times*, by the way.

Secondly in Iran, although the news has been encouraging recently and the nuclear project [at Bushehr] seems to have stalled, the willingness of the Russians to help a country that has no need for serious commercial nuclear power and has been caught with weapon designs to develop plants that will be able to produce bombs in – and we don’t know how long, one, two, or maybe three years – and make a nuclear [armed] power out of a revolutionary Islamic state...this is a matter of grave concern, and neither of those acts should be considered friendly towards the United States, in my opinion. And I also forgot to mention – [Russians] providing them [Iran] with very advanced air defense systems.

Ambassador John Miller: Is there a particular panelist [you would like to address your question to]? Ok. So that gets into the foreign policy area... another, two potential American concerns. Ok, who would like to address the... Herb, I think everybody is yielding to you. [Laughter]

Professor Herbert Ellison: Russia has been aiding Iran for a long time in the development of nuclear technology, and the Iranians are now interested in using it for weapons, we worry or we fear.

I must say though that I am sympathetic to the Russian objection – and it isn’t just a Russian objection – there is much objection in Western Europe to this, to the Bush Administration talking about deploying defensive weaponry in Hungary, the Czech Republic and Poland. This is being done with no consultation of [the Russians] and so on. So there are some real shortcomings in U.S. willingness to discuss these issues and cooperate with Russia. The other thing...another example of this, you mentioned Iraq.

Anyone who has had the good fortune to hear many of Putin’s speeches on public television has an awareness of the extraordinary clarity, articulateness and wisdom he demonstrates when he talks about these issues. And he [Putin] delivered a remarkable speech, when he put himself in the company of Germany and France, in opposing the Iraq war. In doing this, he not only talked about the danger for Iraq...he talked about [an invasion] possibly unleashing a civil war inside Iraq...he also talked very thoughtfully and knowledgably about the reason for the United Nations having the authority to block unilateral attacks by one nation on another, and the need to have the approval of the Security Council. Putin mentioned that this was the second action brought about by the United States, following the Kosovo war and the bombing of Yugoslavia, that repudiated the authority of the United Nations. Putin then went on to say that Winston Churchill and his American counterpart who created the United Nations would be deeply disappointed to know what we were doing.

John Wohlstetter: I was not asking about opposition to the war in Iraq – there were plenty of people in this country who opposed it. I was very specifically asking about the *spetsnaz* commandoes being sent in [before the invasion] to help clean out Saddam’s files, and perhaps even help move WMD, because we know he had them for some time.

I might add just on Kosovo real quick, that Mr. Putin is not the first person to ask about international law, and he’s inaccurate about what he says the law of the UN is anyway. The reason that Mr. Clinton bypassed the United Nations [to start the NATO bombing of Kosovo] is because he had to get around the Russian veto. And it was only because this time the French told Mr. Bush and Mr. Blair that they would veto any resolution [that authorized the use of force], making it futile to continue there, that Bush and Blair decided to go by [the UN]. Arguably the previous resolution [on Iraq] gave them the authority to act and they should not have gone back again. The reason...and it’s simply not true that only the Security Council has the sole authority to authorize action...but I was asking about the *spetsnaz* commandoes in particular and Russia selling weapons to Saddam after 9/11.

Ambassador John Miller: Ok any further comments...that may be, that’s a very specific point that maybe people are not aware of...

Bill Robinson: I do not have the facts or personal knowledge to answer your question [with regard to Russian activities in Iraq]. I would say this though, when I mentioned 9/11, and missed opportunities, I was referring specifically to the fact that we continued to go along our own way. We utterly failed to engage Russia as an equal partner in dealing with global issues, including Iraq, Iran, and international terrorism. Our attitude, and the way we approached Russia was – ok, if you want to join us, it’s our show, but you can. You can either get on board our train, or we have no use for you. It was that kind of unilateralism that has been expressed by the past two administrations [Clinton and Bush 43].

I don’t have the expertise that Dr. Ellison does on the details of [foreign policy], but it doesn’t take a mental wizard [to explain Russia’s actions], just look at the way we treated Russia. We have poked a stick in their eye every time they have tried to assist us, post-9/11, and we are getting the response that we probably ought to get. It could be a lot more constructive if we approached the whole relationship with Russia differently.

There are things that [Russia does that] make me uncomfortable, but I have to concede that some of the unhappiness here is failing to know which [Russian policies] are our problems, and which are theirs. We brought a lot of this unhappiness on ourselves because we failed to take advantage of historic opportunities to engage Russia.

Ambassador John Miller: [1:18:00] Ok, question, identify yourself and ...

Edward Lozansky: My name is Edward Lozansky, and I’m with the American University in Moscow. My question is to Herbert Ellison. As a historian, can you give us some idea as to why the Western media views Russia...even now with all of its problems, it’s certainly better than the Soviet Union...

If you read articles in the *Washington Post*, for example, or the *Wall Street Journal*, the coverage is much worse than that of the Soviet Union. The Kremlin has the explanation that all of this money is coming from the oligarchs, and a few days ago, Berezovsky confirmed that he’s spending tons of money to undermine Putin and the current regime. But is there anything else? It’s a very simple explanation that Berezovsky, Gusinsky, and others are spending money for [this bad PR]...

Yet it’s very strange – why is it that the Western media covers Russia, which is much better than the Soviet Union, and yet has an image that is much worse than the Soviet Union?

Professor Herbert Ellison: You’re saying that the image of Russia today is worse than that of the Soviet Union [during the Cold War]?

Edward Lozansky: Yes, if you compare Washington Post articles coverage of the Soviet Union – and our home is Russia, so we’re Russian, the image [of Russia today] is much worse than that of the Soviet Union...at least, from my point of view.

Ambassador John Miller: Do you want to comment on that Herb? I guess there’s two parts to this question. Is the *Washington Post*’s and American media coverage of Russia today worse than [that] of the Soviet Union. The second part of the question is, if it is, what’s the reason why? Is it because there is a conspiracy by [exiled] Russian oligarchs to spend money on the Western media?

Professor Herbert Ellison: I’m a regular reader, not just of American newspapers, but also of European [newspapers] – the *Die Welt* in Germany and the *Financial Times* of London and so on. And they are...they occasionally criticize Mr. Putin as well. But they were, as the American press was, very critical of major aspects of the policy of the Soviet Union. I don’t accept this notion that we had nothing but positive views of the Soviet Union during the Soviet period, I think we had a great deal of criticism of Soviet policy.

Ambassador John Miller: Well I don’t think that anybody would maintain...any critic would maintain that Russia today is worse than it was during the Soviet Union. I haven’t read that in any American paper but... go ahead. Did you want to comment on that?

Yuri Mamchur: ...because I feel like we didn’t answer [Mr. Lozansky’s] question. I think another part of it is that Russia is becoming stronger, and Russia is becoming a major player. Besides all the money spent by the [exiled] oligarchs, I think that America – not just media but government, media, and certain American groups – are irritated that more and more often, Russia does not care about America’s opinion.

Again, two or three years ago, Russia would have taken these criticisms and would have tried to do something about them. Let’s say half a year ago, Russia probably would have come back with some sort of response to America. But right now the attitude in Moscow from the leaders and among many ordinary people is, “Who cares what America thinks? Our trade with America is less than 1% of our GDP.”

Under Putin, GDP has gone up from \$180 billion dollars per year (in 2000) to 1.9 – almost two trillion dollars. There has been a tenfold growth in GDP in just eight years, and America made almost no contribution to that. America had a chance with Yeltsin since a lot of his advisors – and Soros, George Soros was one of them in Moscow – there were a lot of opportunities to help Russia and, from the perspective of many Russians, America didn’t take advantage of a single opportunity to help Russia.

Coming back to John Wohlstetter’s question, do you know that when people tell me that “George Bush is a horrible diplomat” or “Putin is anti-American”, my first question is:

could anyone have possibly imagined back in 1991, when the Soviet Union was still around, that ten years from that point, fully loaded American bombers would be flying over Russia’s territory to bomb Afghanistan, and come back to refuel at Russian military bases?

But I think, to answer your question, the fact that Russia is becoming stronger is another reason for this negativity, besides the oligarchs spending money on negative PR campaigns.

Ambassador John Miller: Yes?

Scott Hogenson: My name is Scott Hogenson, I’m with Dezenhall Resources. Regarding news media coverage of Russia in general, *The New York Times* coverage in particular, is continuing the tradition of reporting from Russia they started in the 1930s with the Pulitzer Prize winning coverage of Stalin’s reforms by [Walter Duranty]. But my question is...

I was in Russia a few years ago, doing some news reporting, and I was looking at government administration, the judiciary, the banking and business infrastructure there, and it occurred to me that these structures were supported by a number of business officials, government officials and so forth. It occurred to me that a big problem in this emerging democracy is that the only people with experience in banking, government administration, and the judiciary were communists, and you didn’t have the first generation of democratically trained administrators in these areas to sort of pick up that mantle. My question for any of you gentlemen is, what is going on now in Russia to bring along that next generation of people who can administer the judiciary, and the government in general, in a democratic manner?

Professor Herbert Ellison: I think one very important part of it is the tremendous number of students going from Russia to the United States to Western Europe and elsewhere and carrying back the experience of very different political and cultural settings. Having had a lot of these students in my own classes, I’ve been enormously impressed by their critical intelligence, by their observations both about Russia and the United States, their comparative commentary and so forth. I think that it’s...the expansion of contact with the rest of the world is going to be a major factor going forward.

Yuri Mamchur: I would also like to add to this discussion point. I’m the director of this program [the Real Russia Project], at an American think tank. From the American perspective, some people say maybe I am too young to direct a program. By Moscow standards, at 25 I’m getting kind of old for a management position. Thirty-something year olds in Moscow now very often assist twenty-something managers. And all of my

friends from school, by the way, just like Professor Ellison said, have visited the United States. There is a huge cultural exchange going on.

All of my friends – let’s say twenty to thirty people – all came to America at different times. I’m the only one who stayed, mainly because I really like Seattle, however I’m looking back at Russia again and again. Everybody else from my graduating class was here and they served tables at restaurants and did internships in Washington D.C. They saw how democracy works, and they found stuff that they liked, which is, a lot of freedom, a lot of American customs; they also picked up on stuff that they did not like, such as the fact that it’s not safe to go to certain Safeways in the Washington D.C. suburbs.

So there is huge exposure [to America among young Russians], just like Professor Ellison said, and it’s been picked up, and it’s been taken back to Russia. And the average Russian management team is mostly people in their twenties or thirties. I have been working recently on a big project where there is a group of Russians driving in teams around the world. The manager of that project is nineteen years old. She is in charge of the whole project. [1:26:10]

Ambassador John Miller: Ok. Did you want to comment, Bill?

Bill Robinson: I did. I too think that the exchanges are critically important, and I’ve observed the Open World Program through the Library of Congress – a tremendously successful program that has brought 8,000 Russians here with an average age 37 – and that none have stayed.

Another useful objective for exchanges is training. Russia has many new commercial laws as I mentioned – but they are new. There is no experience implementing them in a market economy. That is the only reason an aging American lawyer has any place over there. Everyone can read the same text of the law, but the issue is how should it work in practice.

An example – I mentioned the rule of law and juries. You are not going to like conducting a jury trial if you don’t know how to do one. There is a need to take seasoned judges and lawyers and welcomed from the Russian side to provide training. Judge John Coughenour has been invited to provide training to Russian judges and lawyers on how to conduct a jury trial. You are not going to want to do it, unless you know how to do it. And there is only one way you learn how to do that, and that is from practitioners who have experience in that field. So this is an example of invited kinds of very pragmatic exchanges among practitioners that have great value.

Ambassador John Miller: Let’s take [a question from] somebody from this side.

Alden Greene: My name is Alden Greene [from the U.S. State Department] and I was wondering if any of the panelists would comment on anti-Americanism in Russia.

Bill Robinson: I am an American who frequently visits Russia, and I have never had a hostile act towards me as an American. I would go back to Kipling. When I deal with people who I don't know, I try to get to know them. If you extend your hand and have a friendly smile, it's the same as here.

The anti-Americanism is anti-American policies. They do not like us not respecting them, they do not appreciate not being appreciated; all the things I alluded to earlier. I think that you are correct, or at least the inference in your question that there is probably more of a hostile feeling towards Americans now than there might have been even in the last days of the Soviet Union, because there was a clear differentiation between people and government. I am not sure the Russian people are still making that differentiation.

Yuri Mamchur: I think that they still are Bill. Again, Russians do not like your government, period. Russians do not like the American government. Why? Because, and I'm not saying that the media in America isn't free, but I doubt that many Americans saw video clips from the 1999 NATO war with Yugoslavia showing thousand year-old churches and bridges being bombed or little children dying. That's what we saw on Russian television, that's what I grew up on – not grew up, I was older I guess – but watching TV of the American military operations in Yugoslavia was like watching a movie about genocide against a nation.

The way I saw it on TV was how it was presented in the former Soviet republics. Again, Americans hear that you brought freedom to this part of the world [the Balkans], but many Russians still hear the message that you brought pain to a small country that not only shares the Orthodox Christian religion but also speaks Russian language, and has been linked to Russia for a thousand years. That's something that remains a very strong feeling in Russia. Imagine if Russia had been bombing Canada, and not just some isolated provinces but the most historic sites in Toronto or Vancouver, how would America react? I don't think that America would be happy.

However, there is a lot of travel – not only Moscow business people and their relatives, but also students from all over the country come to America. And one of my best friends – he is an American who has worked with me for the past two years – he is getting married to my middle school friend [from Russia], and they met here in America.

So I think on the personal level, there is still a lot of trust and friendship – most Americans and Russians like each other. Americans can go to Russia, and all of the little things that they dreamed of [like flying MiGs or shooting Kalashnikovs] which might seem crazy and impossible to do in America are possible in Russia because of this new Russian adventure tourism. Europeans are still afraid to buy pirated DVDs, Europeans

would be afraid to launch some fireworks which were purchased with cash outside a Russian military base. Americans not only do it, they call up their friends to tell them what they just did. [Audience Laughter] [1:30:51] There is a lot of things we have in common between us.

Shannon Sorzano: I’m Shannon Sorzano and I’m with the U.S. Department of Housing and Urban Development. You may ask why I’m here, I handle international affairs for HUD. If I can quote, and I hope it’s not a misquote, Mr. Robinson says that “the primary interest of U.S. foreign policy should be a country’s foreign policy, not its domestic policy”. Did I get it right?

Bill Robinson: Yes.

Shannon Sorzano: Would you say that on balance, Russian foreign policy is supportive of U.S. foreign policy? And could you give three or four examples.

Bill Robinson: I would not say on balance...to give you examples, they are cooperating with us on fighting terrorism, they are cooperating on disarmament. I think that there is more cooperation to be gained in areas like the environment and health issues, including AIDS. These are all positive areas where we are engaged. In terms of the other side of that equation [lack of support for US policies], we have already addressed it; that is, at least in my view, because of the way we have neglected to engage Russia constructively, and to give them an equal seat at the table to develop a common vision for the future. On some issues where they are not being cooperative, they now have the ability economically to be more assertive. As I have said, in terms of the missed opportunities, if we had approached Russia differently, they would be much more cooperative.

When I say that we should engage Russia, what I mean is that we develop a common vision based on common values, and identify what that common vision would be. Some people say, and they are right, that the Russians are not us. For all of the things that I have said that we have in common, they have their own history, their own culture, their own background, and they are going to weigh things differently than we do. They may favor more order than freedom in a given circumstance. They are going to tolerate restrictions on media that we would not. But that is their democratic choice, under these present circumstances. My point is that it does no good to snipe at them on those domestic policies. It is just counterproductive. I do not mean to say that these issues are unimportant, but unless they get really egregious, we just need to back off and avoid interference in their domestic affairs, because it is counterproductive.

On the foreign policy side, we need to engage them more constructively. When you develop a common vision, it’s not saying, “Here is our vision, will you sign off on it?” That is not developing a common vision. It is preparing a mission statement. Many of

you have been involved in academic or other institutions where you’ve had to develop a mission statement, and when you do that, it is a process; it does not begin with someone saying, “Here is the mission statement.”

I serve on the Jackson School board, and we are developing a mission statement. We could say, “Let’s do it as a board, and then we’ll bring in the faculty” – but it doesn’t work that way. It’s the same way in international relations, when you’re developing a common mission, a common vision, you need to bring all the players to the table at the outset. Does that address your question? I’d be glad to talk with you afterward.

Ambassador John Miller: Bill, how does...you said that the U.S. shouldn’t interfere in Russian domestic affairs...how is the U.S. government interfering in Russian domestic affairs? [1:35:05]

Bill Robinson: I think at two levels. One – and I tried not to spend too much time on it earlier – I made the distinction between supporting civil society efforts that are institutional in nature – developing the rule of law and training that is not political. But we properly criticized when we took sides in the Ukrainian elections in 2005. I realize that Ukraine is not Russia, but in terms of making my point – we were very critical of President Putin’s comments, intervention and support for his candidate [Viktor Yanukovich]. But we were not critical of [former President] Bill Clinton going [to Russia] and supporting Yeltsin [in 1996], and there was a cast of characters supporting the other candidate [Viktor Yushenko] in Ukraine, including [U.S. Senators] Richard Lugar, John McCain, [former Secretary of State] Madeleine Albright, and a host of [American] luminaries going in and literally campaigning for one party or the other. That should not be a part of our foreign policy, at least as I understand it. And when you get in to the State Department’s report on human rights, and read how they are going to be involved to make sure that Russian elections are run right – and that they are going to give advice to opposition parties; they are going to do this and that within the Russian internal political structure – I think that is out of bounds. That is different from going and doing clinical work on the way political parties operate, or the way you run a campaign, or on legal and institutional issues you need to deal with [in a democracy].

There’s a fine line there, and I may not have articulated it very well, but the Russian side perceives some of those U.S. efforts as interfering and taking sides on issues that are none of our business. When they see such overt criticism of the [Russian] government, including the State Department report that was a backhand at President Putin, and inferred that Anna Politkovskaya was a victim of political repression, that is not helpful. [1:37:27]

Ambassador John Miller: Yes.

Christian Robey: First of all, thank you all. This has been a really interesting discussion. My name is Christian Robey and I’m from the Atlas Economic Research Foundation and I’d like to ask a couple of questions if I could. First of all, Mr. Robinson, you were speaking about civil society.

I have a specific question about that, and that is, what is the level of involvement or what is the state of think tanks, in regards to civil society in Russia – for example, institutes like the Discovery Institute. In the United States, we have hundreds of them.

The second thing is, for any of you gentlemen...I have a fundamental question about U.S. engagement. I’m thinking here about some of our free-market friends like the Cato Institute would very much, would love for us just to pull out of the whole world, you know, have the U.S. military pull out of the whole world and make the State Department a very non-interventionist entity. And I...this is speculation, but I would guess that the world would be angry at the United States if we did that, and if we continue to engage as we have been doing, or even in a different manner, I imagine that the world will continue to be angry at us, no matter what we do. So my question is a fundamental one...is there anything that the U.S. could do that would not anger Russia or anyone else in the world? [Audience laughter] You know, I mean seriously, I’ll cut to the chase, you know there’s the state of think tanks and you know, is there anything – not that we should care, we should do the right thing – but is there anything [we can do to change anti-Americanism around the world]?

Bill Robinson: Good question. Let me take the first question you asked on civil society, and I will put my answer in terms of corporate governance, as an example. I have taught classes on corporate governance in Russia and in Georgia, and I am familiar with what is being done by Russian organizations in this area. The Russian Institutes of Directors and the Russian Institute of Corporate Law and Governance have come up with the same recommendations for changes in Russian law that the OECD [Organization for Economic Cooperation and Development], or I or other Western commentators would suggest. Russia has very good talent, with some assistance from the West on specific civil society issues – like what is corporate governance, how does it operate, and what should directors do. This may get into your second question – we should not come in and say “this is our view of corporate governance, this is what the New York Stock Exchange and Sarbanes Oxley require”. That goes over the line, in terms of what is acceptable, and it shows a lack of sensitivity to the current norms within Russia with regard to legal and economic structures.

So...to answer your damned-if-you-do, damned-if-you-don’t question, whether our ideas are welcomed depends on how much we have Russified them and understand Russian conditions, and whether we tried to adapt our suggestions to Russia’s reality. For example, if you tried to take a Sarbanes Oxley approach, or a real hard line U.S. stock exchange approach where you declare that “all your directors have to be independent”, that would make no sense whatsoever in Russian companies, even in most publicly held companies. You have to address corporate governance issues with a lot more

sophistication with regard to concepts of self-dealing and conflict of interest. Make suggestions relevant to their environment, instead of just saying, “Ok, we know what you need; and our idea of assistance is to package it and give it to you”. That is not going to be welcome. My experience is, if you go in and you look at what they are already doing, and what the RID (Russian Institute of Directors) and the [Russian] Institute for Corporate Law and Governance have already recommended, you are going to be a lot more humble in your approach. You are going to be able to say, “Ok, I understand that you guys have issues in this area; first, what is the problem, and second, what can we do from a policy standpoint to help deal with it?” That would be welcomed. If we want to help, and we can assist as a country, 90% of whether we get the opportunity is our attitude in how we approach issue. [1:42:01]

Yuri Mamchur: I wanted to add something to that. First of all, there is civil society in Russia. Americans have all heard about Grozny in Chechnya when things were getting blown up there. But what Americans don’t hear today is that 300,000 refugees came back to Chechnya, 35,000 new private businesses have been created there. Most importantly, one of my American friends who was in Russia two years ago, she personally met Americans who are Protestant Christians, and they were holding Christian summer camps in Grozny. Now Grozny is the capital of a Muslim-majority republic within the Russian Federation, which was devastated in the [First and Second Chechen] war, and now there are Protestant Christian summer camps for kids in Grozny. That just shows you that there is freedom of religion, freedom for civil society, and for groups helping children in Russia.

You might have heard that the Peace Corps got kicked out of Russia. Again, the first thing you have to remember is that 99% of Russians are literate, and 99% of the population has at least a basic education. Through their education, they might misinterpret certain things, but they know what the Peace Corps is and what the Central Intelligence Agency is....and even though all of us here in America know that the CIA does not equal the Peace Corps, in the minds of some Russians it does, and that is why the Peace Corps gets kicked out of Russia. However, Protestant Christians running a summer camp in Grozny – that’s ok, let’s leave them there.

Second, to answer your question about what America should do, my answer is – invest, invest, invest. I mean, the Federation Tower which is on our website, and will soon be the tallest office building in Europe, is being built by Chinese companies. And now a \$14 billion dollar, 150,000 home subdivision in the Moscow suburbs is being funded by investors from Dubai [in the United Arab Emirates]. Russians take this money, they say “come in and we’ll take it”. [Another example] is the tunnel under the Neva River – a one billion dollar project, or \$520 million dollars [not including the office parks and residences] being built in St. Petersburg. Where are the Americans? Don’t Americans know how to build skyscrapers or tunnels? Well, maybe not the Boston tunnel [Audience Laughter] but other tunnels?

And the third point, when we’re talking about freedom of speech in Russia and the American perception of this...one of the University Club members suggested to me and to my boss Bruce Chapman a few months ago, “Well, if Yuri is so convinced that there is freedom of speech in the [former] Soviet Union, why doesn’t he go to Georgia?” And by the way, before we wrap up, I’d like to say something regarding the funding of this program....well, I did not go there because a plane ticket to Georgia costs a couple of thousand dollars, and the registration fee for this freedom of speech event in Georgia, where the average salary is seven dollars a month, was two and a half thousand American dollars. That was the registration fee [in addition to the airfare].

Isn’t it great for fellows from Washington D.C. Beltway free market think tanks to come together at a five thousand [altogether] dollar event and discuss freedom of speech in a country where the official salary is seven dollars a month? How does it relate – again, how is it real? \$7 versus \$5,000 –who is going to come, who [from Georgia] is going to learn about freedom of speech? It’s misfiring, absolutely misfiring. So, bringing people, bringing those Protestant Christians to Grozny to start a summer camp, bringing Muslims, Muslim kids, to summer camps – this is the best way to get Russians to love Americans again. [1:45:05]

Logan Gage: My name is Logan Gage and I’m with Discovery Institute. I have a question about investment. Now as I understand it, foreigners are allowed to invest in Russia up to 49% in a non-strategic Russian company, and maybe 25% in the strategic ones.

My first question is, how do those kind of numbers stack up – are those accurate number one, number two, do they stack up with what other regulations Western and other nations have? And thirdly, who determines whether a company is strategic to Russian national interests?

Bill Robinson: First, those numbers are not correct. As a general rule, there is no restriction on 100% ownership of Russian companies by foreign companies. I have been involved in creating many companies in Russia, with every conceivable type of ownership, including having 100% ownership on the Western side. [1:46:00]

When you get in to strategic industries, oil and gas in particular, up until recently the only restriction was Russian content in the oil and gas projects that were operated under production sharing agreements. Again, that is not really about the ownership issue, as much as to who gets what on a project, and making sure that there is value added in Russia.

There are strategic industries in terms of nuclear, and now certain parts of the energy sector, where the Russian government – with the support of the Russian people, I might add, has imposed some restrictions. Political surveys show – “we want to maintain control over subsoil resources, whether they are oil and gas or precious metals” – that is a

legitimate national concern. It does not necessarily go to the issue of ownership of companies. It is really about who has the rights to a particular asset, and whether they can exploit it under a license with the Russian government.

We have not reached the point; at least I am not aware of it, where [the right to equity] is carved up in these neat percentages, because the percentage of equity ownership does not necessarily have anything to do with how owners benefit, if you know how to properly structure company operations and contracts.

The issue, as I alluded to it in my remarks, is that if a resource is regarded as strategic, and by strategic resources, that may mean oil and gas in a particular field, probably not the entire industry is restricted. It is just the government saying, “this field [i.e. Shtokman in the Barents Sea], and this field, and this field, are strategic to our interests”...we have similar restrictions in this country ...and can only be developed by Russian entities. Ok, that is off the table, in terms of foreign investment. That does not mean that foreigners will not be involved in the development of the resource, but they will be doing it by providing equipment, drilling, marketing, construction or other services, without having ownership of the resource.

Ambassador John Miller: Ok, last question.

Terry Campo: I’m Terry Campo and I have a small law firm, but I spent about four and a half years working in Russia during the transition period. And I’m wondering if maybe our problem, not to ignore everything that Mr. Putin has done, is that we are reacting to Russia failing to meet our totally unrealistic expectations about how much they would change.

Bill Robinson: I think that is part of it. I read an article this week where that was exactly the point – we had unrealistic expectations of Russia at the time of the breakup [of the Soviet Union]. We wanted them to become a market economy; but a market economy is not an unregulated economy. That is why privatization was so botched. As you know if you were over there in the early Nineties, there were no securities laws in place, there were no protections for minority shareholders; there were inadequate banking laws, and yet we had massive privatization, and then were surprised that a few guys stole a significant portion of Russia’s wealth. So, we had completely unrealistic expectations.

One of the things I tell clients is that when you get into a Russian project or venture, one of the biggest issues is managing expectations, and to do that, it is necessary to get down to details. I use a 110-point checklist with clients before forming a joint venture, because in going through the details with their potential partners, they identify issues, they get to know each other, they develop a common set of expectations of each other, and they get a realistic sense of what to expect.

Ambassador John Miller: I think our speakers are willing, we hope, to stick around for a couple of minutes because, I know we said we would adjourn at 6:30 but before we do that... Yuri, you wanted to have a last word?

Yuri Mamchur: Sure. Again, first of all, thank you for coming, and second, as Ambassador Miller already said, the Real Russia Project at Discovery Institute is a fairly young program. I wanted to address the funding issue because number one, everybody is asking: why is it [the Real Russia Project] so positive, and who funds us? Second I wanted to address the funding problem itself.

The first answer is, right now we are funded by American businessmen in the Pacific Northwest, and that's why we wanted to take it on a little road trip to D.C and show what we are about. Our business plan for this program calls for issuing monthly reports, holding Russia-related conferences in major American cities [like New York, Los Angeles, and Houston], and producing English language documentary films, with everything directed at improving U.S.-Russia relations.

There are plenty of negative things which you all probably did not know about Russia which you can find out about by reading Russia Blog. On the site there is a search engine and you can look up articles about [cops taking bribes on Red Square and] the problems of child exploitation and army draft abuses in the country. So there are many negative things about Russia which you will find there, besides the positive ones discussed here.

If any of you have an interest in cooperating with Discovery Institute's Real Russia Project or if you know people willing to support us, please come talk to us after this event. And I would love to show you our business plan. Thank you very much for coming.

Ambassador John Miller: We want to thank our speakers for giving a different perspective on Russia, and on behalf of Discovery Institute, we thank all of you for coming, and we're adjourned. [1:51:32] [Audience Applause]

[1:51:38] [END TRANSCRIPT]

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