



Russia & the West: New Leadership. New Relations?

Where You Stand Depends on Where You Sit – Overcoming the Stereotypes

History of Missed Opportunities. For nearly two decades, the United States and Russia have missed opportunities to strengthen their bilateral economic, political and cultural relationship. Historical opportunities were missed in 1989 (fall of the Berlin Wall), 1991 (fall of the USSR, surrender of Moscow's U.S. embassy surveillance), 1993 (Yeltsin's tanks shelled the communist parliament), 2000 (Putin's and Bush's election), 2001 (9/11, Russia allowed the U.S. to use its military bases, and provided intelligence for Afghan operations).

1. Russia: Nation Not Empire. For the first time in history, Russians view themselves as a nation and not as an empire. Is Russia really a military threat to other nations? No, but it will assert itself as an economic power and expect to be recognized as a major player on the world stage. Despite the West's mishandling of a non-Soviet, modern Russia, Russia has not responded with military confrontation. Russians want to buy new cars and homes and have a future for their children. They don't want to conquer the world. There is a new lens through which to view Russia.

2. Energy Security. Why is Russia criticized for turning off gas to countries that do not pay? Charging market prices is not an act of war. Why does the U.S. buy oil from largely unstable, undemocratic regimes? Why does Russia sell equipment to mostly non-democratic countries? You go to the market, but this status quo makes little sense for either Russia or the United States. Russia and America could (and should) seek greater security, trade and energy cooperation.

3. Russia & Iran. Why is Russia engaged with Iran? Is it an anti-American plot? No. It is tough to ignore a country when you share a common border; Russia has economic interests in Iran; and, Russia believes it's better to engage with difficult regimes than not engage. Note that Russia is the only country that has extensive intelligence capabilities and resources in Iran. Do you think Russia wants a nuclear-armed Iran on its border? No. If Mexico had the will and capacity to weaponize nuclear material, would not the U.S. seek more—not less—engagement? The West may not wish to deal with Iran but should at least consider how it might benefit from Russia's engagement with Iran. Such benefit may only come through positive, open U.S.-Russia engagement.

4. Missile Defense & NATO Expansion. Russia doesn't fear U.S. missiles, but they are a bad signal, a reminder of the Cold War. Russia sees installation on its border as an unfriendly gesture that undermines mutual trust. In 1986, Gorbachev and Reagan declared that the Cold War was over, and there were no winners. That spirit held until 1992. If NATO is a Cold War alliance, what purpose is served in expanding up to Russia's borders, to include even Ukraine, but not Russia? What can the West do to recalibrate how it structures its alliances to engage, not exclude, Russia? What more can Russia do to facilitate that engagement?

5. Democracy or Authoritarianism? Russia isn't colonial America. It accepts that its definition of democracy is different than the West's. But does the West accept that Russia is a different country with a different history, and recognize that the path to democracy began less than 20 years ago? Russia is more democratic than China or Saudi Arabia (elections, religion, Internet, Rotary Clubs, media, private ownership). Russia's economic stability matched by Western engagement would strengthen the new democracy. Without constructive engagement, the West risks alienating Russia, rather than enhancing democratic values.

6. Elections, Human Rights & Freedom of the Press. Russia believes stability and economic development are prerequisites to a stronger democracy. Bringing stability and pulling its population from the grips of poverty were the first priorities of the post-Yeltsin government and the nation. They succeeded. That's why Putin was re-elected with 71 percent of the vote and four years later enjoys an 85 percent approval rating. Medvedev is the youngest and the most liberal politician from Putin's circle. It's difficult to talk about democratic values on an empty stomach or with an uncertain economic future. Now that basic needs are met for most of the population, Russians will spend more time thinking about civil society issues. Russians already have opportunities to freely read, publish, travel and communicate. There are plenty of independent newspapers, news channels and radio stations. The government does not censor journalists, although editors might. It doesn't mirror the U.S. model, but does have similarities. In the U.S., if a reporter—not an editorial writer—injects personal opinion into a news article, that reporter's editor (if they are doing their job) pulls it from the story. The city, state or federal official doesn't do it. Individual freedoms delineated in the U.S. Constitution guide America, but those same freedoms have different parameters and dimensions in Russia. Sensible and useful engagement does not have to mean complete agreement, or that the standards of one country must be embraced in full by the other. Differences do not have to divide.

7. Opinions vs. News: It's a Matter of Opinion. Opinion and editorial page independence is a unique ingredient of American culture. It goes back to the founding of the nation. But the history of the press is different in Russia. As a result, the Russian population, politicians, policy makers and business leaders treat all words that appear in a newspaper as reporting. Unlike in the U.S., in Russia there isn't a distinction between news writing and editorial writing, at least in newspapers. If *The Wall Street Journal* editorial page publishes an op-ed titled, "Russia: The Enemy," Russians interpret those words as the newspaper's collective viewpoint—not just the

opinion of a single individual. Many Russians believe that the U.S. media is overly obsessed with intervening in their personal lives and internal politics. Russian commentary writers could have chosen, for example, to be more conspiratorial or sensationalistic while writing about the Bush and Clinton families. George Bush Sr., after all, is a former director of the CIA. And to some, another Clinton as president might appear dynastic. The major news outlets in Russia won't run these types of stories—even in a commentary format. It'd be considered "yellow journalism." The U.S. and Russia have different understandings of what is news, and what is open for commentary or opinion. It's a distinction with merit and one that both sides should seek to accept and understand.

8. Why Kasparov Wasn't a Candidate. Garry Kasparov was a self-proclaimed legitimate presidential candidate according to his op-ed pieces that appeared in *The Wall Street Journal* editorial pages, where he has been a contributing editor. Western media treated Kasparov as if he were some sort of latter day oracle, evidenced by the column inches and air time they gave his so-called candidacy. In truth, he is a joke as a political figure in Russia, having 2 percent or less support in polls. The chess champion-turned-activist had obtained rally permits repeatedly, only to take rallies out of designated areas and into crowded, off-limits thoroughfares. It appeared obvious to anyone inside Russia (and also to critical foreign observers) that Kasparov's purpose in doing this was to provoke a police reaction that would get him on foreign TV. President Putin said, "Why do you think Mr. Kasparov was speaking English rather than Russian when he was detained? Did this not occur to you? I think that first and foremost his deeds were not aimed at his own people, but rather at a Western audience. A person who works for an international audience can never be a leader in his own country. He should think of the interests of his own people and speak in their native language." The tactic is clear. But why did Western journalists allow Kasparov to dupe them so easily? Fair reporting would have at least attempted to present the former chess champions' motives. In the West, demonstrators seldom get much sympathy, even when police crack down. Remember the World Trade Organization demonstrations in Seattle, Miami and Washington, D.C., in 2000 and 2001? Maybe the police in Russia are tougher, but what about the rally planners who intentionally broke the permit rules? American law enforcement agencies wouldn't let Kasparov or anyone do that in New York. Why should it be acceptable in Moscow? This does not mean that Russia does not have civic and political inequities. It is just that the Western media do not seem to have an adequate understanding of them or of Russia's rapidly developing civic society as a whole. Russia has room for progress. But American and other Western media have a continuing obligation to report fairly and as accurately as possible.

9. Pay Bribes to Do Business in Russia? Many international corporations (PWC, KPMG, IKEA, Microsoft, Boeing, etc.) are doing business in Russia. Renaissance Capital and Delta Equity Group have continuously shown high returns on their investments in Russia. By operating in Russia, these entities, and others, are reaping the benefits of being a part of the second fastest growing economy in the world. These international companies do not pay bribes and do not pay under the table. Their experience and that of smaller foreign companies show that businesses can enter the Russian market, operate legitimately and succeed. But as with all urban myths, this one too has a grain of truth. Yes, as in any part of the world, there are always ways to cut corners and pay bribes in Russia. Those who pay bribes commit a criminal act, as do those who accept them. Legitimacy and its rewards should become the norm in modern Russian business. Businesses that do not comply with the law and cut corners lose effective legal protection because they cannot go to authorities for help when pressured by those wanting bribes. In short, Western businesses should play by the rules, pay taxes and not ask for special favors.

10. Investing in Russia. Russians trust Russia with their money for the first time in modern history. To wit, the unprecedented growth in disposable income has created a booming retail sector. And thanks to banking and land ownership reforms, Russia has what was never possible before—a workable credit and mortgage system.

"Russian entrepreneurs are maintaining and increasing their domestic investments rather than investing abroad as they did before," said *Forbes* magazine in January 2008. As a result, Russia saw significant job creation. The unprecedented growth in disposable income has created a booming retail sector. And thanks to banking and land ownership reforms, Russia has what was never possible before—a workable credit and mortgage system. Growth in GDP has been 7 percent or more for nine years. Russia's flat tax for individuals is 13 percent. The corporate tax was lowered from 36 to 24 percent. Small private businesses can choose either a six percent tax on gross revenue or a 15 percent tax on profits. In 2007, foreign investment surged by a factor of 2.5; Russia was again a star performer among emerging markets.

More *Forbes*: "Some \$100 billion was invested in Russia from abroad over the last 12 months, an all-time record for any emerging market country and a milestone of great historical and psychological significance for Russian business....cumulative foreign direct investment increased by 55%. Most of these investments are long-term....despite Russia's complex political relationship with Great Britain, the British were the leading foreign investors in Russia in 2007 (although, in terms of direct investment, the Netherlands has invested 10 times more than Great Britain). Cyprus accounted for a large amount of foreign investment, however, it did not come from Cyriots; it is "gray" capital that left Russia some time ago and is now repatriating, mostly in the form of FDI. The results of all of this FDI are new jobs—and, eventually, an improvement in the standard of living for Russian people."

Consumer confidence is communicable. The West may want to check its wariness at Moscow's gates and instead recognize the opportunities present in modern Russia. ■

Please visit www.RussiaBlog.org for detailed information on the above topics, as well as weekly news and commentary about Russia. This publication was prepared by Yuri Mamchur, Mike Wussow and Bill Robinson of Discovery Institute's Real Russia Project (Seattle, Washington USA). For more information about the Project or to find out how you can support it, please contact yuri@discovery.org or +1 (206) 292-0401, ext. 151 and visit www.RealRussiaProject.com.
