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ANALYSES

Medvedev's 'manifesto': political conservatism and economic adjustments

On 10 September, a popular independent website Gazeta.ru published a pro-liberal article calling for economic modernisation authored by President Dmitry Medvedev. Even if most of the concepts presented in the text will probably remain as just words, the article seems to signal the Russian leadership's readiness to make limited adjustments to its economic policy, including selective reforms in the crisis-affected sectors. It also signals Russia's openness to foreign investments and its intention to acquire high technologies. Nevertheless, these liberal economic declarations are accompanied by 'conservative' political concepts which affirm the existing political order in Russia and warn the West against interfering with Russia's internal affairs.

The president's 'manifesto', which outlines the main points of his autumn address to the Russian parliament, should not be interpreted as either an announcement of the forthcoming abolition of Putin's economic model, or an expression of Medvedev's ambition to reach for real power within the Russian ruling class. In fact, it seems to be a message from the entire ruling team addressed to foreign audiences, including investors, as well as the Russian political and business elites. It demonstrates that the Russian government is ready to boost closer economic co-operation with foreign countries, while emphasising their determination to define the course of domestic policy independently.

Politics: an affirmation of 'Putinism'

In those parts of the text which deal with politics, Medvedev admits that democracy in Russia is still frail and that civil society remains weak. At the same time, he demonstrates his conviction that a transparent and democratic multi-party system of government is gradually developing in Russia, and that an open society is forming. Medvedev then goes on to reject any 'revolutionary' change, and distances himself from importing democracy models from abroad.

The president's main intention seems to be to affirm the current line of Russia's domestic policy, and warn against any interference in Russia's internal affairs. This conservative rhetoric indicates that there is a consensus in the elite with regard to retaining the current model of 'virtual democracy', wherein the authorities create and strictly control the political institutions as well as the quasi-opposition parties, and thus prevent any serious political alternative from forming. This conclusion is further confirmed by Medvedev's statements of 15 September, including the support he has expressed for Putin's 2004 decision to replace the general elections of regional governors with appointments by the Kremlin (many liberal observers expected Medvedev to revise that decision).

Economy: a controlled opening

The core of the president's message concerns the economy. Medvedev identifies corruption, statism and dominance of the raw materials sectors as the main problems of the Russian economy; he calls for a modernisation of the economy through the implementation of new technologies, among other means. The radically liberal concepts presented in the article should be seen as merely a way for Medvedev to build his image as a champion of modernisation. Nevertheless, a number of proposals concerning economic modernisation and diversification may signal the Russian leadership's readiness to carry out a partial repair of certain economic sectors, the unprofitability of which has been exposed by the global economic crisis. Reforms are unlikely to be implemented in the raw materials sectors, as they are the foundation of financial stability for the current leadership. Therefore, the plea for abandoning the economic model built on raw materials which Medvedev and Putin have reiterated will most likely remain on paper. The 'modernisation' of the economy may consist in restructuring selected obsolete sectors which require constant budget subsidies. It is possible that Medvedev will be the face behind these reforms, which will be difficult, both economically and socially. The first measures may be undertaken as early as in the next few weeks: a partial restructuring of the Russian automotive sector, which is currently struggling with major difficulties, has been announced to take place this autumn.

Another important declaration presented in the text concerns the Russian leadership's openness to foreign investments and its ambition to acquire new technologies. The co-operation with Canada's Magna consortium, which has increased Russia's chances of taking over a stake in Opel, may serve as an example of the actions taken in this regard. Prime Minister Putin has acknowledged that this transaction is a good market move, which would be conducive to genuine integration between the Russian and European economies.

A voice from the leadership

Medvedev's liberal manifesto, and especially his criticism of Russian realities, published through an independent internet portal, has triggered many speculations about his alleged aspirations to gain independence and vie with Putin for real power. However, Medvedev's article does not seem to propose any alternative vision of Russia's development, or serve as an attempt at dismantling the system Putin created. It is rather an expression of the sentiments prevalent in the ruling elite, which is currently considering certain adjustments to economic policy as well as measures to develop new areas of the economy which could in future supplement the revenues from the raw materials sectors.

The president's verbal criticism of the phenomena occurring in the Russian economy should not be overestimated. The criticism of excessive bureaucracy, the centralisation of the economy and its dependence on raw materials is hardly a novelty in programme statements by Russian leaders. Similar views have been repeatedly put forward by both Medvedev and Putin (it is enough to recall Putin's programme address before he left the Kremlin in February 2008, in which he strongly criticised Russia's raw materials-oriented economic model and its centralised character). Many of Medvedev's 'liberal' statements (such as his criticism of the state corporations created towards

the end of Putin's presidential term) stands in contrast to the actions he has taken (which have in fact broadened those corporations' autonomy), and his critical remarks about the government seem to be merely a controlled game in the context of his harmonious co-operation with PM Putin.

On the day following the publication of Medvedev's text (11 September), Vladimir Putin said in a meeting with foreign political scientists that there was not and would not be any competition between him and Medvedev, and that important decisions, including those concerning the 2012 presidential election, would be taken unanimously. This statement was certainly meant to emphasise Putin's status as leader, and may signal his plans to return to the Kremlin. This, however, is hardly a novelty, but rather a confirmation of his original intentions; on many occasions Putin 'refused to rule out' his return to the Kremlin. His position as the leader seems to have been acknowledged by the ruling elite, including by Medvedev; on 15 September Medvedev declared his support for the most important aspects of the internal and foreign policy initiated by Putin, and emphasised that his co-operation with the prime minister was excellent.

Jadwiga Rogoza

Moldova: Vladimir Voronin's gambit

On 11 September, Vladimir Voronin stepped down as the president of Moldova, enabling Mihai Ghimpu, the parliament speaker and leader of the Liberal Party, to take over as acting president. As a result, the Alliance for European Integration created in August by the Liberal Democratic Party, the Liberal Party, the Democratic Party and the Party Alliance Our Moldova, which has a parliamentary majority (53 out of 101 seats) may now form the new government.

However, the parliamentary representation of the Communists (PCRM), which holds 48 seats, may block the election of the new president (for which a majority of 61 votes is required), as a result of which the parliament will have to be disbanded and new parliamentary elections held in late February or early March 2010. Two other scenarios are also possible, though less likely. In one, the Alliance will persuade at least eight Communist deputies to support the Alliance's presidential candidate, the Democratic Party leader Marian Lupu. In the other, the Alliance and the PCRM will reach a compromise to nominate a common presidential candidate.

Voronin's gambit

Voronin, whose presidential term ended in April, could continue to act as president until his successor has been elected and sworn in. In this way, he could prevent the Alliance for European Integration from forming a government. By stepping down and facilitating the creation of a government by the Alliance, Voronin hopes that by the time the election is held, the Alliance will have disappointed the voters and lost popularity, because it will not have been able to cope with the deteriorating economic situation in Moldova, and could have fallen victim to conflicts between its member parties. Voronin's strategy is risky because, having moved into opposition, the Communist Party will no longer be able to use the state apparatus for campaign purposes, and may lose its dominant position in the media. However, Voronin does not think highly about the opposition's capabilities and - after holding almost unlimited power for eight years - he does not seem capable of compromise.

Alternative scenarios

The Alliance for European Integration hopes that some of the Communist deputies, who would be unwilling to run the risks involved in a new election, will support Marian Lupu as the presidential candidate. This is the ideal scenario for the Alliance, although it is unlikely to become reality nor is former president Petru Lucinschi's proposal to hold a referendum to restore general presidential elections (which would require a constitutional amendment). The Alliance has been using the latter scenario as an instrument to put pressure on the Communist deputies.

It is even less probable that the Alliance and the PCRM will designate a common presidential candidate. In conditions of high political polarisation, it will be difficult to find a candidate that both sides could trust. Besides, this would require the arrangements concerning the division of posts among

APPENDIX

Member parties of the Alliance for European Integration

Liberal Democratic Party of Moldova – 18 seats

A new party created in 2007 by the young entrepreneur Vlad Filat. The party is pro-European and pro-Romanian, with a liberal and pragmatic outlook, strong backing from experts, and a professional team with administrative and political experience.

Liberal Party – 15 seats

Led by Mihai Ghimpu, one of the leaders of the Moldovan National Front from the *perestroika* period, the Liberal Party is pro-Romanian and pro-European with some pro-unionist concepts, and has a liberal programme.

Party Alliance Our Moldova (Alianta Moldova Noastra – AMN) – 7 seats

Led by Serafim Urecheanu, the only former middle-level functionary of the Communist Party of the Soviet Union among the Alliance leaders. The AMN is a centrist, pro-European and pro-Romanian party, although it has a record of co-operation with the Kremlin (the 2005 election). It has serious backing in the territorial self-governments.

Democratic Party of Moldova – 13 seats

Led by Marian Lupu, parliamentary speaker during Communist rule, who broke away from the PCRM in June 2009 and who is regarded as a pro-European pragmatist favouring a foreign policy course balanced between East and West (neutrality, membership in the CIS, strategic partnership with Russia, and simultaneous aspirations to integration with the EU).

The DP has a social democratic programme, and is allegedly associated with the 'clan' of Petru Lucinschi, who was President of Moldova in 1996–2001.

the Alliance's member parties (which have been negotiated with much difficulty) to be modified, and also that Lupu should give up his presidential aspirations (it was because of his ambitions that he broke away from the PCRM and Voronin last June).

Challenges faced by the new leadership

The greatest challenge for the new government comes from the exacerbating economic crisis and the budget difficulties it will cause. Moldova's GDP will decrease by around 12% in 2009 compared to the previous year. The budget will be particularly severely affected by the 36.6% decrease in imports in the first half of this year, which will entail a similar decrease in customs revenue accounting for around 70% of the state budget's total revenue. In addition, money transfers from Moldovans working abroad, which accounted for one-third of Moldova's GDP last year, have decreased by a third. As a result, the budget deficit is estimated to reach 4 billion Moldovan lei (around US\$360 million), around 9.4% of the GDP. In August, the government borrowed US\$200 million from commercial banks to cover its current spending.

The new government will therefore have to reach agreement with the IMF and the EU quickly in order to cover the budget deficit. In the new political situation, the loan agreement with Russia, under which Moscow promised a US\$500 million loan to Voronin last June, is unlikely to be finalised. Russia will not be interested in supporting a pro-Western government in Moldova, and the government itself may be concerned that Russia's loan would come with certain political conditions.

Another difficult challenge concerns taking real control over the power apparatus, especially the prosecution authorities, the police and the security apparatus, and taking away the CPRM's dominant influence on the public media.

It is also possible that Transnistria will stage provocations in order to create difficulties for the new leadership, which is perceived in Russia as pro-Romanian and anti-Russian. For instance, the chief of the Dubasari separatist administration has announced that initiative groups would be formed to call for the incorporation into Transnistria of five villages on the left bank of the Dniester (in the demilitarised zone), which remain under the jurisdiction of Moldova.

In order to succeed, the Alliance needs to maintain its internal unity, obtain financial aid from abroad within a short timeframe, tackle potential ethnic conflicts and avoid any tension between Chisinau and Tiraspol. Otherwise, Vladimir Voronin's Communist party may be back in power within six months.

Witold Rodkiewicz

EVENTS

No results from the Russian president's visit to Central Asia

On 11–13 September, the Russian president Dmitry Medvedev visited Kazakhstan and Turkmenistan. His trip to the region has not produced any measurable results – in particular, no agreement has been reached concerning the conditions on which the supplies of gas from Turkmenistan to Russia could be resumed, which may be interpreted as confirmation that Russia's position in Central Asia is continuing to erode.

Medvedev took part in the Russian-Kazakh regional co-operation forum in Orenburg, Russia (11 September), the informal summit of the presidents of the post-Soviet Caspian states in Aktau (11 September) and the official closing ceremony of the Kazan–Turkmenbashi car rally (13 September). During the visit, three Russian-Kazakh intergovernmental agreements of minor importance were signed. In addition, the Itera company signed a PSA concerning the terms and conditions of the development of block #21 in the Turkmen section of the Caspian shelf; no details of this agreement have been revealed.

Medvedev's visit was hardly a breakthrough in the relations with the region; indeed, it confirmed the weakness of Russia's position and the fact that Moscow has nothing attractive to offer the Central Asian states. Moreover, Ashgabat has used the Russian president's visit to Turkmenistan to demonstrate that it is still pursuing an independent gas policy; on the eve of the visit, Turkmenistan confirmed its interest in the Western-endorsed Nabucco gas pipeline. <ola>

Ukraine increasingly afraid of Russia

On 10 September, a group of Ukrainian intellectuals and politicians (including former president Leonid Kravchuk, the philosopher Myroslav Popovych and the writer Yuri Andrukhovych) published an open letter calling for an international conference of those states which guaranteed Ukraine's security in 1994 (USA, UK, France, China) in order to reiterate those guarantees. The letter was published in reaction to the announcement that the Russian State Duma would adopt amendments to the Act on the Defence of the Russian Federation, which has triggered a wave of comments among Ukrainian experts concerning the possibility of a future armed conflict between Russia and Ukraine.

Most experts agree that the projected amendments, which authorise the Russian president to send troops abroad to defend Russian citizens, do not pose a real threat to Ukraine in the short term. However, there is increasing concern in Ukraine about the possibility of an armed conflict in the more distant future. Commentators are worried about the rising tension in Ukrainian-Russian relations, the paralysis of Ukraine's foreign policy and the disastrous condition of the Ukrainian armed forces. They have pointed out that the underfinanced

Ukrainian army, the Ukrainian political elite's failure to recognise the scale of the threat, and insufficient international security guarantees actually leave Ukraine defenceless in the face of a potential aggression.

The growing awareness of the weakness of the Ukrainian state and the increasingly serious challenges to its security are a new phenomenon among the leading experts and intellectuals in Ukraine. <smat>

CES

The Centre for Eastern Studies

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