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Economic Sovereignty. A Militant Agenda for Russia

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Foreword

The views expressed at the Media-Forum in St. Petersburg 25-28 April 2015 organised by the All-Russian National Front (ONF) are valuable for understanding the goals, strategies and agents of change in today's ostracised Russia. Putin framed the new path as 'economic sovereignty'. This expression had not been used earlier. He evoked the 7 May 2012 edicts that marked his inception into the third term of Presidency as the imperative road map for reform. While admitting the need to adjust to complications, he insisted that 'the May edicts are of a long term nature and must be implemented regardless of economic difficulties'. People in charge should neither relax, nor complain, but implement the 2012 reforms agenda, Putin warned. The ONF are tasked with monitoring the implementation of the May decrees, a decision justified by the hostile geopolitical environment and heightened sense of economic insecurity.

This vision fixes the paradigms of Russia's new order, characterized as Militant Russia (MR). In this paper's approach militant means assertive, vigorous, active, but not necessarily bellicose. Militancy in the Latin meaning of "serving as a soldier" is a collective pursuit: that of the Russian nation in defence of its own interests and goals. This is an order *in fieri* –a construct in progress - that is taking shape according to the leadership's vision and security concerns that have been heightened by ostracism from the West.

While some features of Russian corporati(vi)sm were already visible some years ago as discussed by the author,¹ developments to date provide new insights. The semantics of Militant Russia helps highlight the vision of a country that is not resigned to a subordinate role among regional powers; aims at independent statehood, strives to strengthen and modernise its own social and economic organisations; moves to fight international isolation by threading new partnerships and alliances. In this vision patriotism, together with enhanced military and economic security, plays a primary role.

Modernising Russia "is far from possible without the unifying force of civil patriotism" but "mobilising patriotism looks to the future, not to the past" admonishes Andrei Kortunov, Director General of the Russian International Affairs Council. "Owing to the radical and irreversible changes in the external environment" there is

¹ See Malle, Silvana, "State Corporatism in Russia. An Outline of the Main Features and Problems, *CRCE Briefing Paper*, January 2013 <http://crce.org.uk/briefings/corporatism.pdf>

need for re-discussing foreign policy strategies –separately from the issue of Ukraine.² A militant approach is at the core of new international relations looked for to fight ostracism. Patriotism has become the symbol of national identity and readiness to defend the country for a large majority of Russians.³

Dictatorship, totalitarianism, authoritarianism, neo-authoritarianism are either inadequate or less heuristic definitions compared to the attributes attached to ‘militancy’ in present-day Russia. Militant Russia (MR) is not a system, but a process permeated by cultural features and pride in national heritage. MR carries along a vision of society; commonalities of values and national prospects. Contrary to the Soviet Union where internationalism, at least ideally, played an important role in framing alliances and establishing durable links with opposition movements in democratic countries, MR struggles for her own interests and projects while also forging supportive foreign relations particularly in Asia. MR searches for elements of identity in past and recent history. Militancy is an irreplaceable input for defence should mobilization eventually become necessary.

Foreign policies aimed at secluding the country from the international community and markets are at the origin of militant ‘economic sovereignty’. In this context security concepts laid down in the past and never dusted down may be revisited and brought to life.

According to the author, the pillar of the new model of growth pursued by Militant Russia is a reinforced security approach to economic sovereignty built on mutual trust between the Russian nation and the leadership and on the development of trustworthy partnerships eastwards. Within this approach the paper starts with discussing import substitution of foodstuffs as a component of broader security strategies. The analysis moves then to the structure, powers and performance of the ONF that is charged with monitoring and control of state procurement including defence. And, finally, the focus falls on Russia’s turn to Asia as a long-term strategy aimed at strengthening the relations with problematic Central Asia while building sustainable economic relations with China.

² Kortunov, Andrei “Seven Steps beyond the Horizon of the Crisis”, http://valdaiclub.com/russia_and_the_world/75400/print_edition/ accessed 5 May 2015

³ According to the opinion poll carried out 17-20 April 2015 by the Levada Centre, some 80 percent of Russia believe in patriotism and consider themselves to be patriots. <http://www.levada.ru/29-04-2015/patriotizm-i-gosudarstvo> accessed 29 April 2015

Framing a militant model of growth

At the Media-Forum 2015, Putin conceded the economic situation was evolving compared to 2012, but contested the notion of crisis dismissing the importance of the ‘so-called anti-crisis plan’. In his view, despite difficulties, foreign loans were honoured and their burden was bound to fall and, despite falling oil prices and rouble depreciation, the economy did not collapse. On the contrary, with stronger fundamentals economic performance should improve thanks to implementation of the May 2012 edicts.⁴ Changes in the model of growth were not discussed; vice versa, the need for progress was emphasised. Emphasis on continuity may not be surprising since falling oil prices, on the one side, and economic seclusion imposed by foreign powers, on the other, could be considered exogenous constraints, despite many, even within the government, doubting that external factors are at the root of Russia’s economic slowdown.

As a matter of fact, worrisome developments are putting pressure to adjust the long-established model of growth to new constraints. By the basic rules of the game, this model is still based on open trade and free capital movements. The Russian economy despite its many caveats remains an open market economy. The ratio of Russia’s foreign trade to GDP is still comparatively high among EMEs (Emerging Market Economies) at 41.3% (2010-2014 average) similar to India (41.7%), not far from China (45.0%) and almost double that of Brazil (21.9%).⁵

For more than twenty years macroeconomic policy has been run with best practices in mind, if not quite in deeds, and economic policies have been developed reflecting, on the one side, the structure of an economy based on natural resources (thus exposed to the shock of international prices) and, on the other, the goal of further integration in the world economy. Sovereign funds backed up by oil revenues and prudent investments in foreign treasury-bills have helped the economy to fend off the worst effects of the international financial crisis on domestic balances, providing a cushion against unexpected liquidity pressures in 2008-09. Further integration in the world

⁴ See the transcript of “Mediaforum nezavisimyykh regional’nykh i mestnykh SMI Saint Petersburg, 28 April 2015 <http://www.kremlin.ru/events/president/news/49358> accessed 28 April 2015

⁵ See the World Bank data sheet on Merchandise Trade in <http://data.worldbank.org/indicator/TG.VAL.TOTL.GD.ZS> accessed 29 April 2015

economy was pursued with the entry into WTO in August 2012 and the concomitant acceleration of the process of negotiation that should have propelled the country into the OECD's club of advanced economies a few years later.

The repercussions of falling oil prices and acute tensions in the international arena on Russia's economic landscape have been dramatic. Macroeconomic policies, routinely anchored to preserving fiscal and monetary equilibria, will have to adapt to a largely unpredictable and/or hostile environment sooner and faster than envisaged by liberal-minded government officials. The estimated cost of sanctions is \$160bn.⁶ In a context where normal trade relations and commercial transactions are impaired by events and policies' outcomes are largely out of control, priorities need further thought.

The precarious balance between promoters of market reforms and hostile conservatives that resisted economic collapse in 2008-09 may not survive present-day MR's constraints and ambitions. The call for 'economic sovereignty' in April 2015 is eloquent for the direction of change. This call sounds ambitious and perhaps out of reach for a country heavily dependent on natural resources and exposed to highly variable international prices. It is also challenging for a society imbued with western culture and commercial ties. The focus, however, is not on autarky, but on strengthening the capacity of the economy to withstand shocks, whether stemming from swings in business cycles or politically induced. Economic sovereignty, thus, entails fast reallocation of resources on the ground, on the one side, and flexibility built on diplomatic networking for new, even if costly, partnerships, on the other. Of crucial importance is social cohesiveness. Government and businesses must work in tandem. This is far from easy as the authorities understand. Under pressure to deliver, on time and according to pacts, are powerful state companies and administrations. Ministerial regulations have been approved tightening the screws on state entities trying to circumvent import constraints to their benefit.⁷ Loyal social movements have been empowered to exert control from on the ground, as discussed below in relation

⁶ Reported by Putin at the Federation Council, <http://www.rg.ru/printable/2015/04/27/putin-site.html> accessed 27 April 2015

⁷ 'Substitution has a meaning for what is necessary, not simply for what is possible' warns the government commission in charge of monitoring import-substitution, see http://www.vedomosti.ru/economics/articles/2015/05/13/importozameschenie-dolzno-sootvetstvovat-nuzhdam-goskompanii?from=newsletter-editor-choice&utm_source=newsletter&utm_medium=content&utm_campaign=editor-choice&utm_term=news2 accessed 14 May 2015

to the ONF. Disenchanted with long-standing European partners Russia searches for other markets, primarily in Asia. This is a difficult, hazardous, but also promising endeavour on the way out of sanction-driven seclusion from the West towards negotiable long-term contracts, if not cooperation, with equally visionary partners in the East as shown in the last section.

All these efforts entail a new pervasive approach to security. In trying to fend off the worst effect of isolation, tough security concepts re-emerge, impregnate political discussion and condition socio-economic developments.

Security approach to national development and self-sufficiency in foodstuff

Sectors that matter for security are gaining pre-eminence for policy and growth. These include primarily the military-industrial complex with its research and development departments, the modernization of which had been planned earlier,⁸ and energy that this paper discusses later on only in relation to Gazprom's plans of supply to the East. These two sectors are on-going object of study and research. But a major concern worth of attention for MR's security has become the food sector. This section discusses the approach to food security and its implication on economic policy and growth.

Import substitution policies have either been forced by sanctions from abroad, or stimulated by government restrictions on a number of imported agricultural products. The cost of replacing some 800 critical imports of civilian processing industry by 2020 is estimated at 1, 5 trillion roubles (c\$30bn), of which 235bn (c.\$4,7bn) should be financed by the state in the (optimistic) expectations that, due to higher tariff barriers, the largest part will be financed by private investors.⁹ Observable effects to date of import-substitution policies are discussed by Connolly.¹⁰ This section concentrates on their MR strategic aspects relative to food products.

⁸ See Cooper, Julian, "Militant Russia. The Military Dimension" presentation at the CREES Annual Conference, Cumberland Lodge 5-7 June 2015

⁹ Estimates by the Ministry of Foreign Trade, see <http://izvestia.ru/news/584888> accessed 2 April 2015. The total cost of import substitution is estimated at 2,5 trillion roubles, see http://minpromtorg.gov.ru/press-centre/all/#!realizaciya_vseh_otraslevykh_planov_importozameshheniya_potrebuet_25_trln_ru_bley accessed 20 May 2015

¹⁰ Connolly, Richard, "Western Economic Sanctions and Russia's Place in the Global Economy" <http://www.e-ir.info/2015/05/07/western-economic-sanctions-and-russias-place-in-the-global-economy/> accessed 7 May 2015

Russia's embargo on imports of foodstuffs came unexpectedly in the aftermath of industrial, financial and individually-targeted sanctions enacted by major powers in the course of 2014 to condemn the annexation of Crimea and pro-Russian separatist fighting in Ukraine's territories bordering Russia. The embargo, encompassing a number of perishable products, caused irreparable damage to established exporters. This measure was interpreted as a tit for tat aimed at hurting small producers in the expectation that they would put pressure on their respective governments to revise, mitigate or cancel altogether their sanctions against Russia.

This may be part of the story, but more importantly from a systemic point of view, the embargo forced Russian producers to put in practice the precepts of security strategies laid down earlier, in the aftermath of the economic collapse caused by the international financial crisis when Russia's GDP fell -7.8 y-o-y in 2009. Import-substitution including foodstuff was greeted by nationalists as a long-awaited chance of economic modernisation.¹¹ Taking this into account, the effective purpose of Russian counter-sanctions acquires a new dimension. Indeed, if conceived as a symmetrical reaction against the array of OECD members' sanctions, the Russian embargo looks trivial, particularly if compared to the cascade effects of banning foreign airlines from flying over the territory of Russia or cutting hydrocarbons' supplies, both discussed in the country and, with much concern, abroad.¹² Second, in the light of the small GDP share of agriculture in OECD countries (less than 2-3 percent) and the even lower share of such exports to Russia, why would the Russian authorities expect the embargo to be very costly, socially painful and politically damaging? Finally, one would think that the political drawbacks of a measure easily described as self-inflicted punishment bound to bring about shortage and price increase, should have been taken for granted by the authorities.¹³

¹¹ See Vasserman, Anatoli, "Komu na sanktsiakh rasti khorosho. My ne tol'ko potrebiteli, no i proizvoditeli", <http://www.odnako.org/blogs/komu-na-sankciyah-rasti-horosho-mi-ne-tolko-potrebiteli-no-i-proizvoditeli/> accessed 2 April 2015; Kashin, Vasilii, "Voina kak povod dlia modernizatsii" <http://www.vedomosti.ru/opinion/2015/01/23/38570471> accessed 23 January 2015

¹² On airlines flight bans there was much discussion in the media, see <http://grani.ru/Politics/Russia/m.231771.html> accessed 5 August 2014 <http://itar-tass.com/ekonomika/1364075>, accessed 6 August 2014 and <http://www.finmarket.ru/news/3783357> accessed 7 August 2014. The issue of hydrocarbons was discussed among specialists and rarely picked up by the press.

¹³ For an overview see <http://newsru.com/russia/07aug2014/sanctions.html> accessed 7 August 2014 and <http://www.forbes.ru/print/node/264857> accessed 9 August 2014

More plausibly, as purported in this paper, the embargo was thought of, and carried out, as a timely, and unduly delayed (according to some), implementation of security guidelines approved by Medvedev's *Ukaz* on 12 May 2009. The previous *Ukaz* signed by Putin as Acting President on 10 January 2000 in which agricultural stagnation and imports of foodstuffs were mentioned cursorily as one of many possible economic threats was cancelled.¹⁴ . On the basis of Medvedev's 2009 *Ukaz* a Doctrine of Food Security was worked out and approved on 1st February 2010.¹⁵ The financial crisis may have been crucial to the security approach to people's well-being of which food supply was to become a major concern. In Medvedev's *Ukaz* the global financial and economic crises are comparable for their cumulative damage to application of military force on a large scale. Food shortage was listed as a major security concern to defeat thanks to biotechnology and 'import-substitution of basic foodstuffs'. Out of seven fundamental aspects of national security the consumer price level was listed third. The Doctrine on Food Security laid down indicators of consumption and production to be monitored. Regarding consumption, main indicators were per capita consumption of food and calories.¹⁶ Regarding production, apart from the volume of output, the Doctrine slated for monitoring imports of primary and processed agricultural products and fish. Technology, machinery, equipment and other resources for the agro-industrial complex and fisheries were considered for substitution with domestic output. The task of examining the state of food security and the right to issue recommendations were mandated to the Security Council.

The Doctrine is the document that inspires today's agro-industrial policy and is referred to when justifying state support to farms and food processing. Arkady Dvorkovich's report to the government on food security late April 2015 suggests that the output quotas of basic staples to be attained by domestic producers abide by the 2010 Doctrine's principles. In five years Russia should achieve almost 100 per cent food security in meat, vegetables and fruit and in about 7 to 10 years in dairy products. The Doctrine fixes precise quotas: domestic output should provide 95 percent of

¹⁴ See Putin's *Ukaz* in http://www.consultant.ru/document/cons_doc_LAW_25677/ accessed 2 May 2015

¹⁵ See Medvedev's legislation and provisions in <http://www.rg.ru/printable/2009/05/19/strategia-dok.html> and <http://kremlin.ru/acts/bank/30563/page/1> both accessed 29 April 2015

¹⁶ Interestingly, Sergey Glaz'ev prepared a long dossier on food security for the Izborskii Club also dwelling on calories and p.c. consumption, see <http://www.dynacon.ru/content/articles/1725/> accessed on 29 April 2015.

consumption of grain, 80 percent of sugar, vegetable oil and fish, 85 percent of meat, meat products and edible salt,¹⁷ 90 percent of milk and dairy products and 95 percent of potatoes.

Plans are ambitious and resources are scarce. Nonetheless, food security may finally have obtained priority status close to that of military output and energy also gaining support from advantaged agricultural lobbies.¹⁸ Food security is a policy concern for any major power as the persistence of agricultural subsidies in both the EU and the US suggest. After decades of food dependence Russia appears to be aligning herself with world powers on such issues. The embargo of foodstuffs approved in 2014 is supposed to encourage the consumption of traditional staples, enhance import-substitution when feasible and pay increased attention to food reserves. The authorities may even consider, as they did, tax or other constraints to the export of grains to boost foodstuff reserves.¹⁹

If banning the import of foodstuffs aims primarily at increasing security, as suggested in this paper, it is likely that, no matter the fate of sanctions against Russia, the

¹⁷ Edible salt is among the fundamental foodstuffs the import of which from Ukraine was halted in January 2015 alleging sanitary reasons, see http://rospotrebnadzor.ru/about/info/news/news_details.php?ELEMENT_ID=2967 accessed 26 January 2015

¹⁸ *Ibidem*. See also on Dvorkovich's report <http://www.ng.ru/economics/2015-04> accessed on 30 April 2015. See also http://www.ng.ru/editorial/2015-05-25/2_red.html?print=Y accessed 25 May 2015 on increasing revenues to food producers and their interests in upholding embargoes. See also <http://top.rbc.ru/economics/20/01/2015/54be941b9a79473ac2a44d29> where, under priority branches for import-substitution, equipment for food industry is listed first by the Ministry of Economic development.

¹⁹ See <http://www.reuters.com/article/2014/12/24/us-russia-crisis-grains-egypt-idUSKBN0K216C20141224> accessed 24 December 2014. A tax of 15 percent was imposed on the export of grains from February to end of June 2015, as earlier discussed, see <http://www.finmarket.ru/news/3897798> accessed 22 December 2014. Discussions on whether to lift this tax are still going on, see <http://www.agweb.com/article/russia-to-ease-wheat-export-restrictions-as-rain-nourishes-crops-blmg/> accessed 30 April 2015

authorities will not hurry abolishing the embargo on basic staples any time soon.²⁰ But they will need to adapt economic policy to this challenge.

Security and economic policy linkages

Tougher security rules will have an impact on policies since there is a need to a) provide investors in agricultural output and processing with the necessary long-term horizon; b) boost the output of primary products; c) reign in currency appreciation relying on a weak rouble as a protectionist measure against imports from non-OECD countries instead of subsidising farmers for which there is now little fiscal room²¹; d) stimulate the formation and consolidation of internationally competitive large-scale farms and agricultural processing.²² All in all, the macroeconomic policy coordinates will need to adjust to security concerns at least in the short to medium term.²³

A competitive exchange rate suits economic authorities and investors better than a strong currency.²⁴ In this context, an increase in oil prices that, ceteris paribus, would entail appreciation of the rouble may find an increasingly security policy “dependent” Central Bank less ready than in the past to sterilize capital inflows to stem

²⁰ This intention has been stressed by deputy prime minister Arkady Dvorkovich charged with monitoring import substitution, see http://www.ng.ru/economics/2015-04-30/1_dvorkovich.html?print=Y accessed 30 April 2015. See also Medvedev’s interview on May 23 2015 confidently promising that Russia is also going into cattle breeding not to import anymore from the US eventually use excess grain for the purpose, <http://government.ru/news/18220/>. On import-substitution as a long term policy, see also Tiurin, Sergey, “Ideologiya importzameshcheniya v APK” accessed 17 December 2015 http://www.tpp-inform.ru/analytic_journal/5316.html

²¹ The law on budget amendments bringing the deficit up to 3.7% of GDP was signed on by Putin in April 2015, see <http://www.forbes.ru/news/286567-putin-podpisal-zakon-o-popravkakh-v-byudzhete-2015-goda> accessed 20 April 2015

²² Large scale producers demand a low exchange rate see <http://www.themoscowtimes.com/business/article/russian-meat-producer-cherkizovo-plans-to-up-exports/519700.html> accessed 24 April 2015

²³ Lower imports of consumer goods and services, as well as cutting the share of goods for retail from 44% to 38% of total imports, are projected in the government’s economic guidelines to 2018 approved in May 2015, see <http://government.ru/media/files/QTqv2SI5qYEuu2zOHkOAwguydbKD9Ckf.pdf> accessed 15 May 2015

²⁴ See Yakovlev, Andrei “Deval’vatsiya vozmozhnostei”, recalling recovery thanks to a favourable exchange rate and companies’ ability to adjust to new opportunities and constraints after the 1998 crisis, but also warning that uncertainty remains a major obstacle to investment in the present circumstances, http://www.gazeta.ru/comments/2015/03/05_a_6436745.shtml accessed 11 March 2015

inflationary pressures.²⁵ The inflation targeting regime is unlikely to be brought, if it ever was, to capacity and managed floating will continue for a while.²⁶ Macroeconomic stabilisation and disinflation, may be sacrificed to structural change.

For a preliminary assessment of results to date, one may note that imports of foodstuffs decreased remarkably y-o-y from March 2014.²⁷ Government intervened increasing subsidies either through direct grants or indirectly through privileged credits backed by state guarantees to the agro industrial complex. One third of the regions benefited from such schemes.²⁸ More time is needed for a fair judgement of how effective such policies may be in the medium to long term.

Sanctions and embargoes cannot prevent altogether some trade flows through third countries. Cheating occurs in the very countries that impose these measures. Bordering countries are the most likely to benefit in the short term from unexpected and welcome merchandise transit mark-ups. This is happening with Russia as repeated skirmishing on foreign trade with Belarus suggests.²⁹ But higher transaction costs help reduce the comparative costs of home-made staples. Improving food processing and catering of home-made products and fostering competition against large scale international retailers in the field is already occurring. Start-ups may find some state-backed support.³⁰ Foreign retail investors are already moving to find supplies in loco. This may lead with luck to people's pleasure in rediscovering traditional tastes.³¹ Whether

²⁵ Minister of Finance Anton Siluanov reacted sharply to an unexpected appreciation of the rouble late April 2015 hinting that this outcome will be resisted by the authorities, see his warning in <http://lenta.ru/news/2015/04/24/siluanovruble/> accessed 24 April 2015

²⁶ Both Brazil and Turkey have an inflation rate above 8 percent. That could be a sustainable target for Russia in the medium term meaning cutting current inflation by half. .

²⁷ By 38.8% with dairy products suffering comparatively more, thus probably be more easily replaced by homemade substitutes, see http://www.1prime.ru/consumer_markets/20150407/806916286-print.html accessed 7 April 2015

²⁸ About sixty billion roubles were already disbursed before the sowing period, see <http://www.mcx.ru/news/news/show/37867.355.htm> accessed 1 May 2015.

²⁹ See contrasts on problems of transit <http://www.interfax.ru/business/410114> accessed 29 November 2014 and <http://www.vz.ru/news/2014/12/8/719325.print.html> <http://www.vz.ru/news/2014/12/8/719325.html> accessed 8 December 2014

³⁰ On the fast food project *Edim doma!* proposed by two well-known film directors to be possibly financed by Sberbank upon guarantees provided by the Loan Guarantee Agency (AKT) and promising selling prices not higher than international competitors see <http://www.interfax.ru/business/436947> accessed 17 April 2015

³¹ See <http://www.npr.org/blogs/thesalt/2014/09/04/345506041/russians-react-to-western-food-ban-with-pride-resignation> accessed 4 September 2014

food patriotism will compensate for higher spending on food is questionable.³² The authorities may resort to price control as demanded by social organisations. In some regions this is already in place.³³ Such measures go against competition and contribute to shortage in the short run. But the material and moral coordinates of food security are in place: hardly anybody would fight them; this is what matters to MR's strategic horizon.

MR on the ground: the All Russian National Front – for Russia

Militant Russia could not develop without an organisation. The vertical of power is often described as *the* organisation, a power structure strong enough to issue directives, make sure they are implemented all over the country, control the results and assign the relative merit or guilt along the bureaucratic ladder; and, finally, continuously strengthen the structure of power bringing in fresh blood. In short, a tentacular authoritarian system. De facto, however, the 'vertikal' is a virtual structure that is far from being effective.³⁴ Neither is its authoritarian character quite convincing as it appears from on-going proposals of alternative definitions.³⁵

³² Overall Russians seem to have quietly adapted to import-substitution and higher prices of foodstuffs, see <http://www.levada.ru/print/16-04-2015/importozameshchenie-uma-chto-rossiyane-dumayut-o-propazhe-produktov-s-prilavkov> accessed 16 April 2015

³³ See reasons for price control on food in the regions <http://ria.ru/economy/20141204/1036612490.html> accessed 4 December 2014; threats of price control from security concerns prompt retailers to freeze prices for two months to try to prevent worst measures by the government see <http://expert.ru/2015/02/27/zachem-magazinyi-zamorazhivayut-tseny/> accessed 27 February 2015 and Dvorkovich in <http://tass.ru/ekonomika/1799594> accessed 1 March 2015. The antimonopoly authorities increased control on bread and flour factories, <http://www.vz.ru/news/2014/12/11/719933.print.html> accessed 12 December 2014

³⁴ Monaghan Andrew, The 'vertikal': power and authority in Russia, *International Affairs*, Volume 8. Issue 1, January 2012, pp. 1-16

³⁵ Cfr. Rutland, Peter, "Why is Russia still an Authoritarian State? Or what would De Toqueville say" paper prepared for the American political Association, Washington D.C. 2-4 September 2015 <http://prutland.web.wesleyan.edu/Documents/apsa05.pdf> accessed 30 April 2015. On Russia as a Consolidated Authoritarian Regime see the scores in Freedom House 2012 <https://freedomhouse.org/report/nations-transit/2012/russia#.VUo0NZNOV8E> accessed on 14 October 2014. For a benevolent interpretation see Beer, Daniel, "Russia's Managed Democracy", *History Today*, Vol. 59, May 2009, <http://www.historytoday.com/daniel-beer/russias-managed-democracy> accessed 30 April 2015. For a more complicated one, see Pomerantsev, Peter, "Russia: a Post-Modern Dictatorship?" Institute of Modern Russia. Global Transitions. Lecture Series. October 2013, from http://www.li.com/docs/default-source/publications/pomerantsev1_russia_imr_web_final.pdf?sfvrsn=4 accessed 30 April 2015. For a harsher assessment, see Lev Gudkov, Lev, "Nineshniy rezhim priobretayet cherty russkogo natsizma", <http://www.zakon-i-normativ.info/index.php/2012-05-25-22-59->

Instead of a vertical organisation, this paper argues that Militant Russia is based on a cohesive grouping or movement of ordinary citizens, spread over the large territory and sharing some basic societal goals and purpose of action. This social network must be flexible enough to respond to government priorities and changing strategies and provide support on the ground.

The linkage among members from different occupation, culture, education, income and age can be found in the adhesion to common values and aspirations. Perceptions of dangers, empathy or enmity play an equally important role. In Russia the effort to empower national identity by motivating people to aggregate and pursue Russian “ideals” has been promoted by Putin. The All-Russian National Front – ONF thereafter – is the product of such an endeavour.

Political profile and development

The ONF was initiated as a movement by Putin in 2011 ahead of Duma elections in December and May 2012 Presidential elections.³⁶ Initially based on associations and/or professional groupings, the movement has later opted for individual membership to respect, and/or be seen to respect, individual preferences. It took two years before the movement managed to attain formal status. During this time there was much discussion about whether ONF should become a party, perhaps displacing *Edinaia Rossiia*, or maintain its status of as a movement. The ONF’s founding congress that met in Moscow on 11-12 June 2013 with the participation of more than one thousand delegates approved the official denomination of National Front - for Russia (*Narodnyi front “Za Rossiю”*) - while also keeping the shorter denomination ONF - as well as the Charter fixing its supra-party status as a movement (*dvizhenie*).

The Charter³⁷ states that the Front contributes to the development of Russia as a “strong, free, sovereign state, being a leader for development and centre of attraction

57/2012-05-28-10-58-08/novini-rosiji-2015-r/94837-lev-gydkov-nyneshnii-rejim-priobretaet-cherty-rysskogo-nacizma.html accessed April 2015. One of the most insightful analysis that comes close to the notion of MR is Pastukhov, Vladimir, “Lovushka neototalitarizma” <http://www.polit.ru/article/2015/03/21/trap/> accessed 21 March 2015. Richard Sawka provides a penetrating analysis of how democratic institutions combine with authoritarian practice to form the Russian hybrid state, in “Can Putinism solve its contradictions,” <https://www.opendemocracy.net/od-russia/richard-sakwa/can-putinism-solve-its-contradictions> accessed 30 April 2015

³⁶ See Malle, Silvana, “State Corporatism in Russia. An Outline of the Main Features and Problems, *CRCE Briefing Paper*, January 2013 <http://crce.org.uk/briefings/corporatism.pdf>

³⁷ As reproduced in <http://onf.ru/structure/documents/ustav/> accessed 30 April 2015

for many countries”); carries out the monitoring and civil control of the execution of laws, presidential initiatives and other state priorities and programmes; stands out with initiatives on a variety of social issues and makes proposals to state agencies and administrations. Any citizen older than 18 years may join the organisation on a voluntary basis. The regional structures replicate those of the central body. The Charter sets the rules for the election of its internal bodies. Property is formed on the basis of voluntary contributions and donations as well as accruals (*postuplenii*) from operations that abide by the norms of the Charter. Reorganisation or liquidation of the Front requires the (open) votes of 2/3 of the delegates present at the Congress.

Before gaining legal status, the ONF concentrated on the organisation and monitoring of elections all over the country. Many ONF members were elected to the Duma in 2011 owing to Putin’s instructions to Edinaia Rossiia (ER) to reserve them a certain quota of posts in its own lists. This option – an alternative to the creation of another party or exerting a more stringent control over ER and its members (that would have entailed the purge of some undesirable elements) was chosen in view of the upcoming Presidential elections and the road map for reforms Putin had already in mind. While some of ONF’s representatives at the Duma joined thereafter ER, most members remained independent, with the Front carrying out its separate, non-institutional, activity aimed at enlarging the club of Putin’s supporters.³⁸

Research-analytical work for the ONF is carried out by the ISEPI (Institute of Socio-economic and Political Research), a NGO directed from 2012 by Dmitrii Badovskii, earlier in the year Deputy Head of the Presidential Administration for Internal Policy., The oversight council of ISEPI is chaired by Svetlana Orlova, a member of both ER and ONF, Deputy Speaker of the Federation Council and Governor of the Vladimir oblast’.³⁹ ONF lawmakers allow for the drafting of new laws’ proposals and monitoring their successive readings before approval. The cohabitation of ER and ONF in the structure of power has never been easy. On one occasion a candidate for governor chosen by the ONF despite ER’s desiderata had to be urgently removed to allow Putin re-appoint the former ER governor in charge, thus stemming the outbreak

³⁸ As argued by Aleksandr Shokhin who had been among the initiators of ONF in 2011, see <http://www.kommersant.ru/doc/1946427> accessed 30 May 2012

³⁹ See <http://www.kommersant.ru/doc/1983941> accessed 20 July 2012

of political feuds among his supporters in the region.⁴⁰ But from 2013 and economic slowdown, voice and power of the ONF have progressively strengthened. By January 2013, after the elections of governors in some regions had been completed, it became clear that Putin had chosen the ONF as his interface with the public (Box 1) leaving up to Medvedev the task of reigning in ER.⁴¹

Box 1 - The structure of the ONF

Structure and composition of the ONF give evidence of its multiple access to different professions, commercial and non-profit associations, as well as of tight linkages with the Presidential Administration, bypassing government agencies. The ONF has three co-presidents: Stanislav S. Govorukhin – film director and deputy of the state Duma, Aleksandr V. Brechalov – first deputy president of Opora (association of SMEs' entrepreneurs) and Olga V. Timofeeva, journalist and TV presenter, deputy of State Duma. Culture, communication, culture and businesses are prominent at the top. These representatives together with 50 more members form the Central Headquarter (CHQ) of the ONF. The CHQ includes members of political parties (*Rodina* and *Patrioti Rossii*), artists, businessmen, trade unionists, scientists, governors and other public figures (of whom more below). From April 2014 the head of the Executive Council of ONF, is Alexei Victorovich Anisimov, that previously had been appointed by Putin, soon after winning his third mandate, deputy head of the department of internal policy of the presidential administration, a powerful figure reported to be in close contact with the deputy head of the Presidential administration Viacheslav Volodin. Putin is the leader of the Front but does not hold any official position.

The ONF is a civilian organisation. There are no direct links with any military agency. But both Anisimov and his predecessor Andrei Bocharov (appointed governor of Volgograd in September 2014) studied in military schools and got further military training in the eighties.¹ Moreover, the prestigious Bauman University is represented in the CHQ by Aleksandrov A. Aleksandrovich (Rector of the Federal Educational Institution for Higher Professional Organisation of the Moscow State Technical University N.E. Bauman). The Bauman university is one of the three Higher Educational Institutes (VUZy) (the other two are the Moscow State University M.V.Lomonosov and the St Petersburg polytechnic university) where the military training of students started in 1926. Today the Military Institute of the University prepares officers and cadres for 21 military specialisations of the Russian Army.*

Two other Rectors, Sergei Fedorovich Vagnenko and Viktor Vladimirovich Blazheev represent respectively Higher Education in Medicine and Law. Aleksandr Sergeevich Galushka is the Minister for the Development of the Far East. Other influential figures are the head of the party Rodina, Aleksei Aleksandrovich Zhuralev, Igor' Anatolevich Komarov, the head of the state space corporation *Roskosmos*, and Mikhail Vladimirovich Leont'ev, in charge of communication with media at Rosneft and director of the nationalist publication *Odnako*. Well-known Aleksandr Nikolaevich Shokhin, the president of the Russian Union of Industrialists and Entrepreneurs and Valerii Aleksandrovich Fadeev chief editor of the magazine Express are also in the CHQ group.**

*See the history and transformation in <http://military.bmstu.ru/?q=военное-обучение-в-мгту-им-нэбауман> accessed 4 May 2015

**Names and profile of all members are in <http://onf.ru/structure/rukovodstvo-0/> accessed on 30 April 2015.

Putin, the ONF and regional authorities

⁴⁰ See http://www.vedomosti.ru/politics/news/3638541/ne_putat_svoih?from=newsletter-editor-choice accessed 6 September 2012. The case concerned Riazan and governor Oleg Kovalev challenged by ONF Igor' Morozov.

⁴¹ At a time when the status of ONF was still being discussed and the idea of transforming it into a party was still around, see http://www.ng.ru/politics/2013-01-21/1_front.html accessed on 21 January 2013. On the elections of D. Medvedev as President of Edinaia Rossiia soon after Putin had won his third Presidential term see http://ria.ru/trend/Medvedev_chairman_ER_26052012/ accessed 26 May 2012

At the founding Congress of the ONF in June 2013 Putin stressed that the Front should help build a great Russia and be ready to work with anyone sharing ideas and values pertaining to this concept. New instruments to influence social decisions and new people were needed (Box 2).

Box 2- Increasing powers of ONF. Purge of governors

By August 2013 the ONF was ready for registration with the Ministry of Justice as a Movement having already established its presence in more than 50 percent of the regions as demanded by law.ⁱ By December 2013, with economic projections turning negative following the fall in investment, assuring the implementation of Putin's May 2012 decrees became a priority task. The ONF gained more power. At the Forum of Action the ONF obtained that any official report ahead of government's decisions should be preliminarily subject to the Front and no instruction (*poruchenie*) would be approved without the Front's judgement.ⁱⁱ Organisational work intensified and before the end of 2014 the ONF had established regional headquarters and executive committees in all subjects of the Russian federation including Sevastopol' and Crimea. At the time of the second meeting with the ONF in April 2014 Putin's interaction with the floor was once again targeted to implementation of his decrees, but with explicit concern for a more honest and trustful political landscape around him.ⁱⁱⁱ The meeting occurred after the annexation of Crimea and in the context of increasingly negative economic indicators. Crimean premier Sergei Aksenov and Sevastopol' mayor Aleksei Chalyi were appointed coordinators of the respective local sections of the ONF. By that time, the Front had already started assessing the work of governors on the basis of its own indicators of performance, among which figured the degree of implementation of the May Decrees. At an impressive pace a number of governors were named and shamed, and finally sacked.^{iv} The first governor who lost his job following the Front's claim of embezzlement for personal benefit was Cheliabinsk's Governor Mikhail Iurevich.^v Two other governors were removed before the ONF's meeting with Putin : Sergei Bozhenov in Volgograd and Vasily Iurchenko in Novosibirsk, the latter accused of corrupted regional procurement.^{vi} Briansk governor Nikolai Denin accused by the ONF of nepotism and corruption was removed on 9 September 2014. The motivation was loss of confidence like for the other two.^{vii} Bozhenov was replaced by Andrei Bocharov and Denin by Aleksandr Bogomaz both coming from the ONF's upper cadres. Iurchenko was replaced by his vice-governor Vladimir Gorodetskii elected on 24 September 2014^{viii}. The ONF continues "sanitation", as described by a Russian newspaper, of the regional political landscape. Interestingly even powerful Andrei Borob'ev, Governor of Moscow Region, bowed to ONF's criticism for excessive costs of public relations and promised to cut staff's spending almost by half.^{ix} The most discussed case is that of Aleksandr Khoroshavin governor of Sakhalin accused of misuse and appropriation of public funds, arrested and then removed by Putin's *ukaz* on 25 March 2015 for loss of confidence. This case is particularly serious because the governor was accused of bribery up to a (preliminary) total of \$5,6mn before his demotion by Putin three weeks after arrest. His was the first Russian case of a governor being arrested in office.^x The ONF had chased him for bribery since November 2013.^{xi} His definitive replacement has not yet been approved.

ⁱ See <http://www.kommersant.ru/doc/2253136> accessed 10 August 2013

ⁱⁱ As reported by the ONF in <http://onf.ru/structure/istoriya-onf/> cit.

ⁱⁱⁱ http://www.gazeta.ru/politics/2014/04/10_a5988681.shtm accessed 10 April 2014

^{iv} See for a summary <http://www.themoscowtimes.com/news/article/new-report-names-and-shames-russias-worst-regional-governors/518223.html> accessed 30 March 2015

^v <http://www.vz.ru/politics/2015/3/4/732238.html> accessed 4 March 2015

^{vi} Iurchenko on 18 March 2014, <http://www.kremlin.ru/acts/20597> accessed 1 March 2014. See on the chart ranking regions by compliance with implementation of 2012 reforms and a final note on some sacrificing other projects in order to be able to meet federal priorities,

http://www.ng.ru/politics/2015-05-14/1_narfront.html?print=Y accessed 14 May 2015

^{vii} <http://ria.ru/politics/20140910/1023543994.html> accessed 10 September 2014 and <http://www.ng.ru/news/463386.html?print=Y> accessed 10 September 2014

^{viii} <http://news.ngs.ru/more/1935671/> accessed 30 April 2015

^{ix} <http://onf.ru/2015/03/11/glava-podmoskovya-v-otvet-na-kritiku-onf-poruchil-ministram-produmat-sokrashchenie-trat/> accessed 11 March 2015

^x See <http://www.kommersant.ru/doc/2694052> and <http://www.kremlin.ru/events/president/news/48993> both accessed 25 March 2015

^{xi} See <http://izvestia.ru/news/561576> accessed 4 March 2015.

Concluding his speech, Putin evoked external threats against sovereignty and independence and efforts to undermine people's roots in their traditions and identity.⁵⁸ Irina Iarovaia, the head of the Duma Committee for security and struggle against corruption, commented that the unifying idea for Russia's development was patriotism of action.⁵⁹ While patriotism is fundamental to ONF's activity, the appointment of three new leaders to the Moscow ONF's section among whom prominently figures the Rector of the Higher School of Economics (HSE) and Deputy of the Moscow Duma Iaroslav Kuz'minov seems to point to the Front's efforts to establish links with liberal circles and broadening support for their projects in cities less inclined to bow to grass roots nationalist views.⁶⁰ Whether an underlying concern is to foster police dialogue rather than co-optation remains to be seen.

Some aspects are unclear regarding ONF's politically sensitive action and de facto independence. First, are appointments and/or accusations discussed beforehand with the presidential administration, and with whom precisely?⁶¹ Second, are socially targeted initiatives and/or investigative-law enforcement actions previously agreed with Presidential aides or autonomously propelled, due to the inertia of enforcement bodies, by the Front's local cadres as claimed by Brechalov?⁶² Third, which criteria preside over the selection of new governors including those coming from ONF's ranks, and high Front cadres? Speculations that a) ONF's representatives have vested

⁵⁸ See <http://www.kremlin.ru/events/president/news/18328> accessed 12 June 2013

⁵⁹ <http://top.rbc.ru/politics/12/06/2013/861586.shtml> accessed 12 June 2013

⁶⁰ <http://top.rbc.ru/politics/12/05/2015/5551dc349a794776dd413f8f> accessed 13 May 2015. This move could also be aimed at reaching/ monitoring the governor of the CBR Elvira Nabiullina that is the spouse of Kuz'minov

⁶¹ Zubarevich, Natal'ya, "Pochemu arestovan gubernator Sakhalina"

http://www.vedomosti.ru/newspaper/articles/2015/03/04/geografiya-gubernator-ne-ponyatiyam?from=newsletter-editor-choice&utm_source=newsletter&utm_medium=content&utm_campaign=editor-choice&utm_term=news18 accessed 4 March 2015, suggests that ,with shrinking federal and regional budgets regions such as oil-producing Sakhalin benefiting from large rents and budget revenues, are now being spotted from federal authorities as necessary contributors to the realization of state plans, meaning that customary bribery and embezzlement practices will not be tolerated anymore. Sakhalin's affairs, thus, is a warning to other donor regions.

⁶² See <http://tass.ru/opinions/interviews/1924689> accessed 30 April 2015

interested in working for the Front and exploit membership for their own political promotion; or b) there are “offers” that cannot be declined, cannot be ruled out.

Putin’s address on 18 November 2014 at the Forum of Action of the ONF, after developments in Ukraine had already heavily damaged Russia’s international relations and the foodstuff embargo (as discussed above) was approved countering OECD countries’ sanctions, was marked on the part of Putin by focus fell on priorities among which fair state procurement, anti-bribery action, import- substitution and enhancement of domestic output were prominent .⁶³ Putin asked the ONF to assist by closely monitoring work done by state agents all over the country.

Issues raised at this meeting may matter for the further empowering of the Front as Putin’s direct arm for enactment of sensitive targets, as well as for the Front’s own sentiment of relevance. Brechalov challenged that, while by quantity many results appeared to be on track, implementation was qualitatively poor. Out of 131 objectives examined by some ten thousands experts, only 20 were approved according to quality indicators while some 80 percent remained under control. Regarding fair and efficient economic deals, only 13 percent of presidential instructions had been implemented.

Putin snubbed Brechalov. First, he stressed that the May Decrees were not “his own” only, but also those (“vashi”) of all participants; second, he dismissed Brechalov’s approach as a futile Trotskyite approach quibbling on process, whilst effective outcome is what matters. But when the floor asked for clear output targets and lower tax, Putin’s reply sounded Hayekian: it’s up to the market to set the priorities, he said. With regard to taxation, he sighed, all demand lower tax.

On import-substitution in defence industry Putin was more clear-cut, almost furious. More intensive work was needed to overcome delays accumulated in the past. It was not a question of money, as three trillion roubles allotted to the Military Industrial Complex were not being used in the most efficient way. He recalled his frustration and reaction when after travelling thousands of miles to sign an important contract between two defence companies he was told that no agreement had yet been reached. “I’ll kill you”, he shouted, but had finally to sit down and personally conduct the negotiations till conclusion. Pre-payment practices by the Ministry of Defence in the

⁶³ See live report, <http://ria.ru/politics/20141118/1033844699.html#ixzz3Z5lqJadK> accessed on 18 November 2014

past were the source of mismanagement as the sector accumulated conspicuous debt arrears. Putin's warning that no more excuses for breaching financial contracts would be tolerated sounded menacing. In the end, the ONF was summoned to increase control on spending and work out how to fix fair defence output prices: a controversial task that could backfire from a field that up to now hardly anybody had been able to master.

It was in a militant crescendo at the meeting with ONF delegates at the Media-Forum in April 2015 (see above), that Putin introduced for the first time the concept of "economic" sovereignty as noted above. The large audience of journalists and empathetic interlocutors suggests that communication and media are expected to play an increasing role in echoing state priorities and slogans and exposing lack of compliance to plans and poor loyalty to federal authorities in loco.

Brechalov's interview after this meeting is indicative of the increasingly MR role the ONF is playing. Brechalov discusses with Putin once a year the extent of implementation of the tasks the Front is supposed to assess.⁶⁴ Physical indicators of work done and/or work that remains to be done are used, as in Soviet times. This knowledge may be used by Putin when discussing with ministries their wrong approach to "optimisation of spending".⁶⁵ ONF data are replicated in government's reports – though ONF's assistance is not mentioned. This complicates further the understanding of effective decision-making in Russia, an on-going endeavour for specialists in political science.⁶⁷

The Front is attentive to possible breaches in security. NGO, legally registered as 'foreign agents'⁶⁸, for instance, were reported to have increased their funding from

⁶⁴ See <http://tass.ru/opinions/interviews/1924689> accessed 30 April 2015

⁶⁵ See on the degree of fulfilment of 7 May 2012 Decrees Nos 596-606 by end-2014 per target and by the respective government agencies put in charge <http://government.ru/news/17967/> and the meeting of Putin with the social issues' ministers in <http://www.kremlin.ru/events/president/news/49425> both accessed 7 May 2015

⁶⁷ See Sawka, Richard "*The Crisis of Russian Democracy: The Dual State, Factionalism and the Medvedev Succession*, Cambridge, Cambridge University Press, 2011 for one of the most insightful sophisticated analyses on this problem. See also Farisova, Suzanna, "Narodnyi front konkuriruet s pravitel'svom za kontrol' nad gubernatorami", *Vedomosti* 13 May 2015.

⁶⁸ FN see <http://www.interfax.ru/255487> and <http://www.golos-ameriki.ru/content/amnesty-international-on-foreign-agents-law/1550411.html> a law approved on 13 July 2012 by the

abroad from 4bn roubles in 2012 to 70bn roubles in 2014. To Brechalov the funds were more likely to benefit the “fifth column”, than any social purpose, a matter he allegedly discussed with Putin.⁶⁹

Which scope for ONF’s action in the future?

The rating of many ONF members as possible lawmakers after the next elections in 2016 is rapidly improving. The highest rating is that of Brechalov followed by Titov and other businessmen. The scores are worked out by ISEPI on the basis of media coverage (20 percent), expert assessment of individual activity (40 percent) and political effectiveness (40 percent). Being ISEPI linked with ONF this rating sounds self-referential albeit among the most promising politicians are singled out not only ONF members. Nonetheless, this exercise makes it clear that the Front’s activity, including proposing and drafting laws and regulations, is becoming a louder voice in decision-making.⁷⁰

ONF’s Duma deputies allow the Front to initiate legislation in areas of particular concern. Given the manifest Front’s devotion to Putin and his plans, the next elections will no doubt bring more of the Front’s members into the legislative. The Front’s legislative activity to date does not look especially remarkable. But their nationalist approach in selected areas could be relevant in making regulations and penalties attached to violations tougher. Two draft laws are interesting from this point of view. The first concerns legislation on offshore companies that the authorities strive to bring back home for fiscal purposes and in the hope to control capital movements. The second concerns the use of servers by state agencies and state-related entities.

The law on de-offshorization that entered into force on 1st January 2015 requires Russian tax authorities to be notified of all foreign dealings. The Front’s member were active in pushing for tough penalties. According to the law, Russian shareholders will be required to pay tax on the retained earnings of foreign companies in which they have a controlling stake. Any Russian individual or company that owns 50 percent or

Duma and entered into force on 20 November 2012 required NGO performing political activity and financed from abroad to register at the Ministry of Justice)

⁶⁹ See <http://tass.ru/opinions/interviews/1924689> , cited, accessed 30 April 2015

⁷⁰ See <http://top.rbc.ru/politics/28/04/2015/553e5e6f9a79475244369dce> for a more detailed discussion of fresh blood for the coming elections, accessed 28 April 2015.

more of an offshore asset will have to declare profits to the tax authorities. Over time, the allowable share of ownership will decrease - in 2016 to 25 percent, and on an individual basis to 10 percent. The law establishes the minimal earning subject to declaration at 50mn roubles in 2015 (\$1mn), 30mn in 2016 and 10mn after 2017. Heavy penalties are attached to violation of the provisions.⁷¹

Different estimates circulate regarding capital concealed abroad.. Capital outflows via offshore was estimated at \$200bn in 2014 by Sergey Shatirov, deputy chairman of the Federation Council Committee on Economic policy. According to other estimates over \$2 trillion has flowed offshore out of Russian jurisdiction in recent years. Some put the figure at between \$800 million and \$1 trillion. Putin estimates that about 20 percent of the country's exports are "lost" offshore every year, whereas experts put the number higher, at 40 percent.⁷² While the authorities hope to chase some capital back, financial experts doubt that this will occur to any relevant extent.⁷³ According to Brechalov, instead, the law fixes a strategic task for the years to come and will make offshore investments unprofitable. While the transition period allowed to adjust to more stringent fiscal rules is long enough for anybody to understand the rules of the game, Brechalov noted that the law is particularly timely in an "international situation when the Russian economy is effectively the target of attacks from the West".⁷⁴

The issue of servers used by state entities and officials has been raised first by ONF activist and Duma deputy Viktor Klimov who filed an official inquiry with the government regarding the excessive number of websites - more than four thousand - of government agencies, enforcement bodies and strategic businesses registered abroad and open to security threats. Proposing to move these web resources to the Russian internet segment Klimov announced a legislative initiative.⁷⁵ By 12 December 2014 a law prohibiting the placing of state and municipal power bodies on

⁷¹ See <http://www.step.org/de-offshorisation-russian-economy> accessed 30 October 2014

⁷² See <http://rt.com/business/206955-russia-anti-offshore-law/> accessed 19 November 2014

⁷³ See <http://www.ft.com/intl/cms/s/0/1906b1d2-6f43-11e4-b50f-00144feabdc0.html#axzz3ZeMTwZzZ> accessed 18 November 2014.

⁷⁴ See <http://onf.ru/2014/11/25/brechalov-antiofshornyy-zakon-otrazhaet-interesy-rossiyskogo-obshchestva/> accessed 25 November 2014

⁷⁵ <http://offshoram-net.com/en/publikatsii/781-offshore-zones-are-going-online> accessed 14 January 2014

servers located outside Russia passed the second reading of the Duma. Heavy personal penalties are attached to violation of the law expected to come into force by mid-2015. Putin ordered government bodies and the Investigative Committee to provide the necessary measures for the realization of the Russian server “po zashchishchennym kanalam” by 31 December 2017.⁷⁶

A nationalist approach is also manifest in other legislative proposals. One aims at strengthening the access of the media to the structures of power where corruption is perceived to be nested. Another supports permission to engage in parallel imports, i.e. products not protected by IPR.⁷⁷ This proposal raised earlier under the effect of the international financial crisis was dropped in the end due to the pressure of Russian and foreign investors. In the present circumstances, and focus on import-substitution, the likelihood it could break even through strong domestic opposition is high.

Class action enabling groups with the same grievance against a corporation to sue collectively in a single case to help protect the rights of disadvantaged individuals/groups was also considered by the ONF, but has not yet been translated into legislation.⁷⁸ Nowadays the ONF’s work on the ground concentrates primarily on fighting corruption and checking government procurement’s projects and contracts with increasing focus on the military.⁷⁹ The removal of dishonest governors and publicity raised around a number of dirty deals in defence shows that Putin’s support to the Front remains strong.

The power of Front’s militants is growing separately from the institutional construct of the state. ONF members are praised by Putin, feared by local authorities and

⁷⁶ <http://onf.ru/2014/12/12/deputaty-odobrili-vo-vtorom-chtenii-zakonoproekt-onf-o-perenose-saytov-gosorganov-v/> accessed 12 December 2014; and Putin’s edict concerning implementation on security grounds in <http://www.pnp.ru/news/detail/84326> accessed 22 May 2015

⁷⁷ <http://onf.ru/2014/09/24/starshinov-zakonoproekt-o-zashchite-zayavitelya-o-faktah-korrupcii-neset-zdravoe-zerno/> accessed 8 May 2015 and <http://onf.ru/2014/12/22/posle-kritiki-onf-pravitelstvo-rf-poobeshchalo-aktivizirovat-rabotu-po/> accessed 3 May 2015

⁷⁸ <http://www.themoscowtimes.com/news/article/class-action-lawsuits-pushed-by-all-russia-peoples-front/484752.html> accessed 19 August 2013

⁷⁹ See <http://onf.ru/2013/09/24/krugly-j-stol-onf-oboronny-e-zakupki-pod-obshhestvenny-j-kontrol/> accessed 24 September 2013 and Putin’s recent invitation to assess fair government procurement’s prices as discussed above.

respected by society. Youth may be inspired by them.⁸⁰ The problem is whether the ONF's ideological background may become more insidious than aimed for at its origin. Demands for an official ideology that would require an amendment to the constitution have been mounting overtime. Aleksandr Bastrykhin, the influential head of the Investigative Committee of the Russian Federation argues for changing art. 15 of the Constitution into a norm that makes national law prevalent over the international law as it is today. This may occur if the ONF will put pressure.⁸¹ There may be drawbacks, however. As Stanovaya propounds incisively, ideology may start living a life of its own, unguided, a spontaneous factor of legitimation of power going beyond Putin's control.⁸²

Away from Europe towards Asia

The security approach to economic sovereignty that entails more control on domestic output is nationalist, but not autarkic. In this light, Russia's turn to Asia is of a great significance, as noted by Russian policy advisors and quite a few dispassionate foreign observers,⁸³ for this vision may durably effect not only the strategic allocation of resources, but also partnership in trade and investment and joint defence agreements. May 2012 decrees focused on the accelerated development of the Far East and increased openness to China and the Asian Pacific Rim as a whole. Three years ago the idea of Russia bridging Europe with Asia appeared if not attainable in the medium

⁸⁰ An increasing number of youngsters are specializing in sciences and defence-related branches "Novoe pokolenie rossiiian vybiraet nauku i 'oboronku' *Vedomosti* 12 May 2015

⁸¹ see <http://www.km.ru/spetsproekty/2012/03/28/publitsistika/novaya-ideologiya-putina-gosudarstvennaya-ideologiya-rossii> and on Bastrykhin, see <http://www.rg.ru/printable/2015/04/28/bastrykin.html>

⁸² Stanovaya, Tatyana, "Poslanie Putina: osobennosti podgotovki i glavnaia intriga" http://slon.ru/russia/poslanie_putina_osobennosti_podgotovki_i_glavnaya_intriga-1189102.xhtml accessed 27 November 2014, and "Chem ugrozhaet Putinu novaia rossiskaya ideologiya, <http://carnegie.ru/2015/04/07/ru-59679/i5vv> accessed 7 April 2015.

⁸³ See Karaganov, Sergey, *Strategiia XXI: Odnobokaia derzhava*, *Vedomosti*, N.225 December 4 2013; Ivanter, Aleksandr, "Vostochnaia chrezvychaika 547" <http://expert.ru/expert/2013/44/vostochnaya-chrezvyichajka/> accessed 4 november 2013. Today's "Asia is a content looking to the future like no other" summarises Inozemtsev, Vladislav, "Novoazia" <http://www.mk.ru/print/article/1107670/> accessed 20 october 2014. For a view from India see Sakhujia, Vijay "Russia and China: Icy Latitudes for Cooperation and Competition" <http://valdaiclub.com/asia/66640.html> accessed 6 February 2014

to long term at least a far-reaching goal that both western and eastern economic partners could be interested in.⁸⁴ This idea is now dead.

Moving eastwards is presently a broader concept, as it entails Russia turning away from Europe to give pre-eminence to deepening her foreign relations with Asian countries and China.⁸⁵ As a point in case, it is worth noting that a free trade agreement between Vietnam, , among the many other Asian countries that manifested interest, and the Eurasian Economic Union , has been approved by the Russian government on 25 May 2015.⁸⁶ Rather than eastwards plus westwards, as conceived earlier, this is a continental shift in cooperation and investment of dramatic dimensions and consequences for all. Putin and Xi Jinping standing side by side at the 9 May 2015 Moscow parade for the celebration of victory in WWII with the glaring absence of all western leaders and/or high level representative officials is the striking proof of the tremendous turn in foreign relations observable to date. This represents a milestone in smoothly developing bilateral relations the pace of which accelerated as a reaction to the strategy of containment adopted by the US, disrespect of other countries' sovereignty and NATO's expansion to Eastern Europe, according to a Chinese expert.⁸⁷

The divide was initially marked by the ostensible disinclination to attend the Sochi Olympics by most western leaders. This decision was followed by the condemnation of the Eurasian Customs Union (ECU) as a revanchist attempt to recreate the Soviet Union, and, later, NATO's efforts to disrupt the enlargement of the Eurasian

⁸⁴ See Malle S., Cooper J. "The Pendulum Moves from Europe to Asia. Modernising Siberia and the Far East. Economic and Security Issues" *Journal of Eurasian Studies*, 1 Issue, January 2014

⁸⁵ These developments are discussed in Malle, Silvana, "Militant Russia Moving to the East" *cit.*

⁸⁶ See <http://izvestia.ru/news/586678> accessed 19 May 2015 and <http://government.ru/en/docs/18216/> accessed 25 May 2015

⁸⁷ "Sino-Russo Entente is more than an Axis of Convenience" was the cool remark by Trenin, Dmitri, "Russia's Victory Day Celebration: Much more than Just a Parade" <http://nationalinterest.org/print/feature/russias-victory-day-celebration-much-more-just-parade-12860> accessed 12 May 2015. For an overview of how Russian-Sino relations have strengthened over time also helped by the US' containment policy towards both countries, see Li Jingjie, "Sino-Russian Strategic Partnership Cooperative Relations and the US Factor" accessed 22 November 2013 from <http://www.theasianforum.org/sino-russian-strategic-partnership-cooperative-relations-and-the-us-factor/>

integration project.⁸⁸ The reasons for mounting hostility against Russia have yet to be convincingly explained. On the one hand, projects of regional economic integration had been carried out by many countries earlier, including the US with NAFTA. The ECU project was largely based on the EU model and regulatory framework. The EAU inaugurated in 2015 is a supranational entity with equal rights for all members. Decision are taken by consensus at the Highest Council body.⁸⁹ On the other hand, occasional nationalist overtones should not surprise either in comparison with other EMEs (Emerging Market Economies) or relatively to Russia's recent history and pride in recovery and growth after the painful 90s.

Both Sochi and ECU initiatives had been conceived at the time of high GDP growth that Russia has not yet been able to recover since the 2008-09 crisis. Steps to strengthen the Eurasian Economic Community (limited to Russia, Belarus and Kazakhstan until mid-2014) were gradually undertaken in the aftermath of the crisis by a laborious process of tightening regulations on trade, technical/sanitary product specifications and compromises on customs' barriers and transit, while the cost of enlarging the alliance to poor partners such as Kirghizstan and Tajikistan turned into a reason for postponing their entry to better times, as explicitly reiterated by the authorities in charge of ECU, rather than rushing to incorporate them, a move eventually justified by an expansionist/defensive strategy. The whole process of Eurasian Integration, originally proposed by Nazarbaev in the early 90s, was slow, marred by uncertainties, stop and go, difficulties in negotiating with weaker but demanding partners and, all in all, very costly for Russia. Economic prospects from integration with more advanced countries and efforts at improving security in Central Asia by bribing in poor countries framed the whole strategy. Not a militant one at that stage.

Digression on Ukraine

Ukraine that had been enticed by Russia to join the ECU with a number of promises and privileges declined the offer in 2013 unleashing - together with the breakdown of government structures, political and economic linkages, people's unrest and localized fighting – additional reasons for Russia's acrimony against the EU and the Anglo-

⁸⁸ See Mukhin, Vladimir, NATO neitralizuet soiuznikov Rossii, http://www.ng.ru/armies/2014-04-23/1_nato.html?print=Y accessed 23 April 2014

⁸⁹ See Treaty http://www.eaeunion.org/files/history/2014/2014_2.pdf

American community overt partisanship. Russia's altogether peaceful annexation of Crimea, after a cleverly organized pro-Russia referendum, enhanced Russians' militant mood and passions.⁹⁰ While, as well-known Russian analysts agree,⁹¹ the frozen armed conflict in south-east Ukraine is to become a permanent source of tensions in Europe compelling Russia not to disengage from the region, that will not prevent a rapidly growing re-allocation of resources aimed at deepening her relations with Asia. Understandably, policies and commercial agreements are driven by economic interests but security concerns remain paramount primarily with regard to Central Asia.⁹²

Divorcing EU while chasing new partners

a) Armenia and Central Asia

Acrimonious foreign relations with the EU and the US in particular have prompted Russia to speed up the enlargement of the Eurasian Union that entered into force on 1st January 2015 while striving to accommodate the on-going grievances of incumbent members. Pressed by Russia, Armenia was faster than the Central Asian partners in joining Eurasian integration. On 4 December 2014 the Armenia Parliament approved by a large majority entry into the Eurasian Economic Union perfectly knowing that the country will face a number of problems with integration, not having completed all the necessary formal steps for accession (with eight years of transition period accorded to fully adapt), and will have to cope with the cost of lacking borders with the associated countries.⁹³ On 2 January 2015 Armenia formally acceded to the Eurasian

⁹⁰ See the overwhelming results and reasons in favour of the annexation of Crimea from the 14 October 2014 opinion poll conducted by the Levada centre <http://www.levada.ru/eng/crimea> accessed 11 December 2014

⁹¹ See Trenin, Dmitri, "Europe's Nightmare: Ukraine's Massive Meltdown" accessed 10 April 2015 <http://nationalinterest.org/feature/europes-nightmare-ukraines-massive-meltdown-12597>; Ishchenko, Rostislav, "Deescalating the conflict in Ukraine" http://valdaiclub.com/near_abroad/76060.html accessed 23 March 2015; see also "Ukraiïnskii krizis nanes moshchnyi udar po evropeiskomu proektu. Politolog Sergei Karaganov o prichinakh i putiakh vykhoda iz mezhdunardnogo krizisa sprovoirovannogo sobytiiami na Ukraine" <http://lenta.ru/articles/2015/02/25/karaganov/> 25 February 2015; Luk'yanov, "Fedor, Perestroika 2014 – Chast vtoraiia" <http://www.gazeta.ru/comments/column/lukyanov/6108737.shtml> accessed 7 July 2014

⁹² As discussed in Malle, Silvana, *Eurasian Economic Integration*, Dragneva R. and Wolczuk K. eds, Chapter 6, Cheltenham: Edward Elgar 2013

⁹³ <http://tass.ru/ekonomika/1862740> accessed 28 March 2015; http://www.gazeta.ru/politics/news/2014/12/04/n_6712641.shtml accessed 4 December

Union (EAO) with an estimated cost of €5,2 for the Russian budget due to a number of concessions including a conspicuous gas price rebate for cubic meter from \$270 to \$180.⁹⁴ The accession of Tajikistan is still in doubt. That of Kyrgyzstan appears to have been approved, no doubt once again under Russian pressure. On 8 May 2015 at the meeting of the Supreme Eurasian economic Council, the Heads of State of the member countries signed a number of protocols relative to the accession of Kyrgyzstan to the Treaty on the EAO. Amendments to the agreement on the EAO and to selected international treaties pertaining to the EAO were also signed together with a protocol on conditions and transitional provisions linked to the application of Kyrgyzstan for membership and its approval by EAO member countries.⁹⁵ The details will be known later. For the time being it is likely that thorny issues related to labour migration, visa conditions and treatment of imports from China were pre-eminent, though problems with sanitary requirements for agricultural products had also been raised.⁹⁶ Presumably in the case of Kirghizstan, like for Armenia earlier, Russia's security interests helped accelerate the process.

The accession of Tajikistan, with regard to which US' concerns and contrasting action seem to be stronger, looks more problematic.⁹⁷ The closing of the Manas airbase in Kyrgyzstan makes access to Tajikistan's airbases crucial for British and American military convoys.⁹⁸ Political killings and unrest at the time of elections do not promise stabilisation *cum* democracy any time soon. President Rahmon remains a problematic

2014 and <http://www.gazeta.ru/business/2015/01/16/6377985.shtml> accessed 16 January 2015

⁹⁴ <http://www.gazeta.ru/business/2015/01/16/6377985.shtml> accessed 19 January 2015. Both the EU, with economic measures (as usual arriving too late), and the US tried to deter Armenia from association with EAO. The US put pressure for the country to join in sanctions, see <http://izvestia.ru/news/574746> accessed 2 August 2014.

⁹⁵ <http://www.interfax.ru/russia/440813> accessed 8 May 2015. See also <http://www.kommersant.ru/doc/2724492> accessed 12 May 2015.

⁹⁶ As noted by Kazakh media, <http://www.kazinform.kz/rus/article/2772993> accessed 5 May 2015. See also http://www.1prime.ru/state_regulation/20150425/808615891-print.html accessed 25 April 2015.

⁹⁷ The US objects to Russia's intention of modernising the Tadjik army and see with suspicion integration into the EAO, http://www.ng.ru/cis/2015-02-06/8_gosdep.html?print=Y accessed 6 February 2015

⁹⁸ http://www.ng.ru/cis/2014-07-03/6_tajikistan.html?print=Y accessed 3 July 2014.

– and for many odious - figure.⁹⁹ But Parliamentary elections have been held, marred as usual by violations of electoral rules, and Rahmon’s ruling party has won with large majority.¹⁰⁰ It is unlikely that Russia may distance herself from the standing powers even if a temporarily silenced opposition may burst into street revolts with unpredictable results. At the informal summit of the CIS nations that brought together the Heads of Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, Tajik President Rahmon called on his CIS counterparts to take immediate measures to strengthen the CIS southern borders and jointly address threats and challenges emanating from Afghanistan, “since the appearance of Islamic State militants pose threats to all in CIS”.¹⁰¹ Against vested interests in military support from the CIS, Kazakhstan’s President Nazarbaev in 2014 after the events in Crimea made forcefully the point that the country will not cede its sovereignty to anyone.¹⁰² The EAU, indeed, has no military/security obligations towards its members. Nonetheless one cannot rule out that sometime in the future the threat of Islamic fundamentalists equipped to fight for power in the region may help coalesce around common security concerns Russia’s more renitent allies.

b) China: a partner or an ally?

Russia’s turn to the East has been met with scepticism from abroad and warnings about the dominant role that China would play in any such strategy.¹⁰³ Russian observers are also divided regarding Russia’s rapprochement with China whether for

⁹⁹ <http://www.newtimes.ru/articles/print/95721/> accessed 11 March 2015.

¹⁰⁰ <http://www.rferl.org/content/tajik-elections-rahmon-party-victory/26877105.html> accessed 11 May 2015

¹⁰¹ <http://news.tj/en/news/tajik-president-calls-cis-heads-state-strengthen-security-csi-southern-borders> accessed 11 May 2015

¹⁰² <http://www.themoscowtimes.com/news/article/as-kiev-looks-west-putin-turns-east-to-build-eurasian-dream/496967.html> accessed 27 March 2014

¹⁰³ On this position see arguments raised by Bobo Lo, “Russia’s Eastern Direction- Distinguishing the Real from the Virtual - Institut français des relations internationales – downloaded from http://www.ifri.org/?page=detail-contribution&id=7952&id_provenance=97 11 February 2014; and Mark Galeotti, “Moscow is playing second fiddle to Beijing”, accessed 5 May 2015 <http://www.themoscowtimes.com/opinion/article/moscow-is-playing-second-fiddle-to-beijing/520216.html>

historical, economic or political reasons.¹⁰⁴ Sceptical comments were raised circa the gas deal with China as soon as announced. After the conclusion of the contract and publication of few details, sceptics focused on the apparently high price Russia was to pay for the deal. Projects concerning pipelines to be built from Far East to China also provoked a large number of acid comments. After the gas deal with China, the announcement that a) Russia will halt gas supply to the EU through Ukraine from 2019, b) retreated from the ever hanging/never started South Stream project and c) will shift to projects that became known as the Turkish stream also aroused a burst of antagonistic passions.¹⁰⁵ Diversification out of Europe – though symmetrical with EU's efforts to minimise oil dependence from Russia – was met immediately with warnings by EU's officials that supply of gas from Turkey to Europe via Greece would not be viable and finally with EU's anxious search for alternative gas routes and allegedly reliable partners in Turkmenistan and Azerbaijan. The author does not

¹⁰⁴ For some, among the most revealing, contrasting assessments, see the following. Inozemtsev, Vladislav, "Mnenie: spaset li Rossiia razvorot na Vostok" <http://rbcdaily.ru/economy/562949991273154> accessed 24 April 2014 and "Shekovyi put' kak zashchita ot sanktsii SShA" http://www.ng.ru/economics/2014-04-21/4_silkway.html?print=Y accessed 21 April 2014, arguing that Russia cannot turn her back on modern/innovative/larger trade partner Europe and eventually should look beyond China to Japan, South Korea and other advanced Asian countries; Karaganov, Sergey, "Strategiia XXI. Odnobokaia derzhava" *Vedomost* 4 December 2013 N.225, noting Russia's skills in networking not only with China, but also, India, Japan and South Korea, while also pointing to the need to upgrade her human capital to that of advanced economies and Asia. The increasing role of India for Russia's turn to Asia is also noted by business media in the context of China-India rapprochement, see Strokan', Sergey, "Primirenie Indii i Kitaia uskorit' rossiiskii povorot k Azii" <http://www.kommersant.ru/doc/2725653> accessed 14 May 2015. The central role China gained out of troubles in Ukraine and geopolitical tensions is illustrated by Lukyanov, Fedor, "China will win the war over Ukraine" noting that the Silk Road project was announced exactly in Fall 2013 at the time when confrontation between Russia and the EU over Ukraine had reached its peak, http://rbth.com/opinion/2015/03/19/china_will_win_the_war_over_ukraine_44623.html accessed 19 March 2015. That Russia is the economic loser, unable to compete with China is argued by Gabuev, Aleksandr, "Udybaensiia i mashem: chto si Tzsinypin uvez iz Moskvu" <http://carnegie.ru/2015/05/12/ru-60047/i8f3> accessed May 13 2015.

¹⁰⁵ More details on such issues are in Malle, Silvana, "Militant Russia Moving to the East" paper presented at the Conference on "A Quarter of a Century of post-Communism", University of Canterbury at Christchurch, New Zealand, 2-3 February 2015. See also Lukyanov, Fedor, "Russia's Ostpolitik" arguing turning eastward is inevitable and compelled by Western attitudes to Russia, http://valdaiclub.com/russia_and_the_world/74500.html accessed 8 December 2014

dwell on these issues that would require better focus and expertise.¹⁰⁶ Two remarks are instrumental to this paper: a) ex-ante, striking a ‘take or pay’ deal in May 2014 for an estimated total of \$400bn over 30 years at an estimated price of \$350 for thousand cubic meters of gas,¹⁰⁷ even if relatively costly for Russia at that time (also depending on the cost of new pipelines), was a major strategic breakthrough for diversification out of increasingly hostile Europe; b) ex-post, in the light of falling and/or highly unpredictable hydrocarbons’ prices, though details on contractual terms remain unknown, that may prove to be a good deal for Russia.

With the gas deal Russia and China exchanged engagement rings. Not a marriage, but a serious commitment on both parties to take all steps necessary to bring the project into fruition and look forward to further economic and commercial partnership.¹⁰⁸ A number of other deals have followed and/or are in the pipeline.¹⁰⁹ The most important are large infrastructural projects. These projects are costly and need an adequate horizon. That of the gas deal – thirty years from now - can be taken as a benchmark. Implementation is delayed by technical difficulties and problems with financing. Only by March 2015 Gazprom’s special and particularly skill intensive seismic survey at Chayanda gas condensate field could be completed and the local governor assured that timing was under control. Seven exploration wells to be built in 2015 with plans to drill more than 15,000 meters of rock are needed to have a clearer idea of the effective gas deposit. The new reserve estimates must be submitted to the State Commission for Mineral Resources for approval. These works needed before laying the pipelines give an idea of how demanding project and implementation are. Putin inaugurated the

¹⁰⁶ See for an expert overview, Keun Wook Paik, “Sino-Russian Gas and Oil Cooperation – Entering a New Era of Strategic Partnership?” <https://www.oxfordenergy.org/2015/04/sino-russian-gas-and-oil-cooperation-entering-a-new-era-of-strategic-partnership/> accessed 2 April 2015

¹⁰⁷ <http://www.gazeta.ru/business/2014/05/21/6042329.shtml> accessed 21 May 2014.

¹⁰⁸ The population reacted altogether positively to the strengthening of Sino-Russian relations, while turning against the EU and the US, see the Levada opinion poll taken 19.22 December 2014, <http://www.levada.ru/13-01-2015/vneshnyaya-politika-rossii-orientiry-i-kritika> accessed 13 January 2015

¹⁰⁹ Bradshaw, Michael, “Russia’s Energy Shift to the East: Should Europe be Worried” discusses the current Russian energy strategy aiming at larger volumes of oil and gas to the Asia-Pacific with their share on total exports rising from 12 percent today to 23 percent by 2035 see <http://www.isn.ethz.ch/Digital-Library/Articles/Detail/?lng=en&id=184112> accessed 9 October 2014

construction of the Sila Sibiri gas route on 1st September 2014, but only eight months later he ratified the project.¹¹⁰

According to the original 2012 project the deadline for completion of the first 3,200km tranche of Sila Sibiri – Yakutia, Khabarovsk, Vladivostok – was 2017. Presently, 2018 and 2019 are evoked as possible targets.¹¹¹ Delays are inevitable, but do not suggest the project will be halted.

Gas transport to China should become accessible from nearby Blagoveshchensk. This town is 583,2km distant from Khabarovsk that lies in the middle of the existing pipeline from Okha (Sakhalin) and Vladivostok.¹¹² The capacity of Sila Sibiri is 38bn cubic meter per year with a potential of 64bn cubic meter. The complex of three Far East pipelines – including the existing Eastern Siberia-Pacific ocean oil pipeline run by Transneft – could feed a planned LNG plant for export of liquefied gas to Japan.¹¹³ While the gas deal has been pre-eminent in building commercial ties with China, increasing oil supply is also considered. China's import of oil from Russia has increased by in 2014 while imports from Saudi Arabia and other potentially troublesome petrostates had been downsized.¹¹⁴

A high speed rail-link Beijing - Moscow through Kazakhstan is already planned. This project will take 10 years to be realised. The railway is long 7,000 km and will cost \$242bn. It will cut a ten days journey to only two. The cost of the Russian section to

¹¹⁰ See on timing <http://www.gazprom.ru/press/news/2015/march/article220413/> accessed 19 March 2015;

on seismic surveys

http://www.ngv.ru/news/gazprom_zavershil_3d_seysmiku_na_chayandinskom_mestorozhdenii/?sphrase_id=884705 accessed 16 May 2015; on Putin's ratification of the construction project Sila Sibiri (Eastern Route) <http://lenta.ru/news/2015/05/02/gasforchina/> and on delays in construction

<http://www.vz.ru/news/2014/9/30/708157.html> accessed 30 September 2014

¹¹¹ <http://www.ampravda.ru/2014/12/26/054115.html> accessed 15 May 2015,

<http://tass.ru/en/russia/733044> and

<http://eurodialogue.eu/Western%20Priority%20in%20Turning%20to%20China> accessed 16 May 2015

¹¹² <http://www.gazprom.ru/about/production/projects/pipelines/ykv/> and

<http://sdelanounas.ru/blogs/60589/>

accessed 15 May 2015

¹¹³ Though interested, Japan fears Gazprom's lack of funding and commitment to the project, see <http://asia.nikkei.com/Politics-Economy/International-Relations/Uncertainty-engulfs-Russia-Japan-gas-project-in-Vladivostok> accessed 16 May 2015.

¹¹⁴ <http://www.warandpeace.ru/ru/news/view/97731/> accessed 23 January 2015.

the border is \$60bn.¹¹⁵ China promised to finance the Moscow-Kazan section with \$6bn. Apparently the cost of the Moscow-Kazan railways has already been estimated and investors have been found on the Chinese side.¹¹⁶ But no decision has yet been taken. In the light of current budget difficulties and economic slowdown, hesitation makes sense.

What is at stake is the long term. This entails Russia's vision of herself in the future. Though far-reaching, perhaps too ambitious, these plans seem to confirm Luk'yanov's view that Russia is gradually "much quieter than thought" diversifying out of Europe to the East. Both "Russia and China are looking for ways to protect their own sovereignty from external influence and prevent political autarky to turn into economic autarky as a liberal approach to internal development is precluded."¹¹⁷ Luk'yanov hints that Russia and China together will win their fight against isolation, a threat for both.

However, Russia may have to sacrifice some hoped for benefits in certain branches. That might have already happened with negotiations to begin shipments of regional aircraft SSJ to the Chinese market. Bilateral negotiations from 2014 aimed to deliver a few years from now SSJ 100 aircraft worth a total of \$ 3 billion to China and South east Asia. Russia hoped this agreement would help maximize capacity utilisation of the Komsomol'sk-na-Amure plant, where SSJ are produced. Though the Russian company remains the producer of SSJ-100, the final agreement suggests a division of labour that could turn in favour of China. The 8 May 2015 conclusive agreement includes the creation of a joint leasing company located in China in an area where works on repair/components are to be carried out; perhaps leading in a non-distant

¹¹⁵ <http://www.bloomberg.com/news/print/2015-01-22/china-russia-plan-242-billion-beijing-moscow-rail-link.html> accessed 22 January 2015

¹¹⁶ <http://tass.ru/ekonomika/1956815> and <http://tass.ru/ekonomika/1956881> accessed 8 May 2015. <http://www.kommersant.ru/doc/2723633> reports the estimated cost at 1,07 trillion roubles, accessed May 2015

¹¹⁷ Luk'yanov, Fedor, "Stalin v protsentnom sootnoshenii" <http://www.gazeta.ru/comments/column/lukyanov/6671709.shtml> accessed 8 May 2015. This view is shared by Kashin, Vasilii, "Rossiia nachala protsess uskorenogo sblizheniia c Kitaem", <http://www.vedomosti.ru/opinion/news/26810471/rossiya-nachala-process-uskorenogo-sblizheniya-s-kitaem?full#cut> accessed 22 May 2014, that cites the memorandum of understanding on construction of a floating nuclear power station between Rosatom and the Chinese Atomic Energy Agency as a major breakthrough since the issue had been hanging for years between the countries.

future to a major development in Chinese civilian aviation itself.¹¹⁸ From the meeting in Moscow, it was reported that the two countries intended to strengthen cooperation in railways, banking, energy, innovation and industry. China was invited to join gas exploration in the Arctic and Sakhalin. Cooperation in the production of microelectronic components to be used for space projects by Glonass and Beidou and joint production of a large civilian helicopter were also discussed. Most of such projects are still at the stage of memorandum of understanding (MoU) a stage that could justify a sceptical approach as to a happy ending.¹¹⁹ A similar attitude preceded the gas deal that in the end was signed and is being implemented.¹²⁰ One needs to wait for Putin's visit to China in September 2015 to assess the strength of mutual will and the practical feasibility of each project considering that the respective contributions and the effective agenda will be matters of tough negotiations.¹²¹

Besides specific contracts, two major developments need attention: military cooperation and economic integration. If successfully pursued, they may bring Russia's long-term strategy and foreign policy diversion from Europe to a point of non-return. With regard to military cooperation one notices acceleration and expansion of joint military exercises. With regard to economic integration, the proposal of a Free Trade Area between the two countries – which *ceteris paribus* could be largely more beneficial to China than Russia given comparative labour costs and

¹¹⁸ See on risks for Russia http://expert.ru/expert/2015/20/ognennyie-ob_yatiya-drakona/ accessed 18 May 2015; and <http://sputniknews.com/world/20150508/1021864975.html> accessed 8 May 2015. On location in China' Shaanxi province http://www.chinadaily.com.cn/china/2015-05/11/content_20686619.htm For technical details, including Russian import-substitution of some components, <http://www.conciseb2b.com/aerospace/viewarticle.cfm?articleid=12223> accessed 13 May 2015. On the AVIC Shenyang Aircraft Corporation (SAC) already engaged in manufacturing part of the SSJ- see <http://www.wcarn.com/news/39/39860.html> accessed 10 December 2014

¹¹⁹ See Kaczmarek, Marcin, Kardas Szymon, "Russia-China- ritual demonstrations against the West?", <http://www.osw.waw.pl/en/publikacje/analyses/2015-05-13/russia-china-ritual-demonstrations-against-west> accessed 15 May 2015

¹²⁰ <http://www.oilcapital.ru/transport/267938.html> on the first 15 km of Sila Sibiri pipelines laid down. The Chinese CNPC will its share of pipelines' construction in June 2015, see <http://www.mineral.ru/News/74138.html> accessed 21 May 2015

¹²¹ See <http://www.rg.ru/printable/2015/05/12/putin.html> and <http://top.rbc.ru/politics/08/05/2015/554ca5129a79474ef6bd1619> accessed 12 May 2015 for further details.

productivity - was surprisingly raised by Putin. If pursued, the countries will need to build its bases from scratch. Both developments reflect geopolitical concerns.

The presence of Fan Chanlun, deputy Head of the Chinese Central Military Council at the Victory Parade in Moscow on 9 May gave the opportunity to Minister of Defense Shoigu to stress the contribution of military cooperation to the strategic character of Russian-Sino intergovernmental relations. Joint naval exercises, previously carried out in the Pacific from 2012, for the first time took place in the Mediterranean on 17-21 May 2015.¹²²

The creation of a Free trade Area (FTA) with China was evoked by Putin with a view to combine the Eurasian Union project with the Silk Road project. The latter is being cautiously pursued by China in the attempt to deepen her expansion to Central Asia and gain support from EAU member countries. Putin underlined that a FTA would imply a common economic space on the continent. Both the Silk Road and the FTA with China sound fanciful in the present context. The Silk Road project is also at its very beginning. The effective route has not yet been decided. China is also mulling the idea of a Maritime Silk Road that would help her economic expansion into the ASEAN.¹²³

Despite the apparently eccentric character of such proposals in a difficult time, Russian officials involved in the discussion of FTA, presumably hoping to attract investment to Russia, consider that even a framework cooperation agreement signed at the highest level would be important for Chinese businesses that look for signs of future state policies. The first step of a possible FTA would be an agreement on trade and economic cooperation between the Eurasian Economic Commission and China that would make mutual trade flows more transparent.¹²⁴ Negotiations will start in July-August 2015 and the first draft project should be ready by the end of the year. In the government economic guidelines to 2018 priority is assigned to projects directed

¹²² On 17-21 May 2015, see <http://tass.ru/armiya-i-opk/1960566> accessed 10 May 2015 and <http://www.vz.ru/news/2015/5/11/744684.html> accessed 11 May 2015

¹²³ Tiezzi, Shannon, "China "New Silk Road" Vision Revealed, and "Where is China's Silk Road Actually Going" <http://thediplomat.com/2014/05/chinas-new-silk-road-vision-revealed/> and <http://thediplomat.com/2015/03/where-is-chinas-silk-road-actually-going/> respectively accessed 9 May 2014 and 30 March 2015

¹²⁴ <http://www.vedomosti.ru/economics/articles/2015/05/12/kitai-i-evraziiskii-ekonomicheskii-soyuz-mogut-sozdat-zonu-svobodnoi-torgovli> accessed 12 May 2015 and <http://tass.ru/ekonomika/1957292> accessed May 2015

to increase exports to APR. In particular, state support to projects of development within the EAU and the Chinese Silk Road that also will benefit from the Silk Road Fund and the recently established Asian Bank for Investment in Infrastructure.¹²⁵ In the best of circumstances the FTA will not be attainable earlier than 2025-30.¹²⁶

Both Russia and China look beyond their joint partnership initiative. Russia to Japan and South Korea, and further to Vietnam and India in Asia, but also to other continents; China to all ASEAN and further to the West, to Europe. The interests of Russia and China do not overlap, and may even diverge in time.¹²⁷ For some decades to come, however, both will focus on Asia. In a world of tumultuous changes, Europe and the US remain in the shade.

Concluding remarks

Russia is engaged on a process of political and economic transformation in the direction of a model of “economic sovereignty”. This process is the result of economic and political ostracism enacted in 2014 against the country by major international power as a consequence of developments in Ukraine. While the country rejects autarky, and is determined to maintain large openness to foreign trade as demanded by its economic structure, a selective approach to partnership is being developed and is likely to be strengthened in the search for comparatively reliable partners. This paper discusses these developments within the paradigm of national militancy. The current political process is defined as Militant Russia (MR) – an order that is taking shape out of the vision and security concerns of the authorities in charge. While policies are still based by and large on a market approach and efforts to keep macroeconomic balances under control are still visible, major concerns regarding the policy of containment and isolation from international markets are laying the ground for a pervasive security approach to growth and development. In this context, Russian nationalism which is the core of MR re-discovers in culture and history its own values and identity of which to be proud.

¹²⁵ see <http://government.ru/media/files/QTqv2SI5qYEu2zOHkOAwguydbKD9Ckf.pdf> accessed 15 May 2015

¹²⁶ <http://www.kommersant.ru/doc/2724437> accessed 12 May 2015

¹²⁷ For a nationalist view auspicing prudence, see Akopov, Petr, “Rossii i Kitaiu vygodno ostavat’sia ‘parternami, no ne siuznikami’”, accessed 19 May 2015 <http://www.vz.ru/politics/2015/5/19/745927.print.html> <http://www.vz.ru/politics/2015/5/19/745927.html>

Three fundamental aspects of the security approach to sovereign economic development serve to underline the direction and character of change. They also assist in gaining an appreciation of the extent of social support MR has obtained so far. These aspects are: a) the determination to turn sanction-related import-substitution into an asset for security; b) the role and sustainability of militant nationalism structures and c) increasing focus on Asia for the re-direction of commercial flows, the development of joint economic projects, and, eventually, alternative political partnerships.

Some preliminary conclusions are drawn. First, food security, discussed in this paper as part of import-substitution policies carried out by Russia, is being upgraded to priority for the first time after market transformation, complementing military and energy security. The Russian embargo on a number of basic foodstuffs and agro-processing technology, countering foreign sanctions, is there to remain regardless of the fate of the current geopolitical stalemate and the cost of structural transformation. Second, militant nationalism is supported by the population and safeguarded by the *All Russian National Front – for Russia*, a powerful cross-country/cross-class movement whose powers of control on state administrations and companies is increasing. Third, Russia's abrupt reversal out of Europe and towards Asia, precipitated by commercial and financial sanctions, will need to be sustained by appropriate strategies. Some steps have already been taken, despite overwhelming skepticism at home and abroad, for the diversification eastwards of gas and oil supply; others are at the stage of memorandum of understanding and/or signed agreements that will need further negotiations before being implemented. They concern cooperation with China in transport infrastructure, aviation, banking, innovation and industry. A Free Trade Area (FTA) between Russia and China has been envisaged and discussed at the May 2015 meetings in Moscow between high level Russian and Chinese officials. A number of Asian countries may also be interested in joining the existing five member Eurasian Union that went into force on 1 January 2015 or other FTA structures. These developments are part of far-reaching visions not only of Russia but also of a number of other Emerging Market Economies. Their realisation will take time and be costly. All the more, to be enduring, they need to be based on a security approach to new partnerships and constant militant support by the nation. The perception of any new threat can only reinforce Militant Russia. The analysis of these developments suggests that Russia may rapidly, albeit painfully, reach a point of non-return to past commercial partnerships and political alliances.

