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**Russian Modernization Strategy:**  
**Political Goals, Realities and Constraints**

“Modernization” is one of the most popular terms in the Russian political dictionary. It is used to designate the new political course proclaimed by the leadership; a course that pursues the objectives of radical technological rejuvenation of the national economy, its structural reform and the creation of a society disposing of human capital with top qualifications. Regardless of the fact that these objectives have been approved by the top echelons of power, experts and – more rarely – politicians still advance different and sometimes controversial opinions on the possibilities and prospects of modernization in contemporary Russia. As preconditions of a successful implementation, “optimists” refer to the relentless political will to solve this problem, as well as the administrative and financial capacities to pursue a consistent policy for these ends. “Pessimists”, as a rule, cite the absence of institutional preconditions for a viable modernization policy. They point to the impossibility of economic and technological modernization without a collateral liberalization of the country's political and economic life. This article attempts at describing and analyzing these positions and processes in a systematic way.

The fact that modernization was promoted to the top of the political agenda by Russia's political leadership is primarily due to the global economic and financial crisis. It would be erroneous, however, to assume that the governing Russian elites did not realize the necessity to discard the economic model which is exclusively bent on raw material exports and to replace it with a more advanced strategy of social and economic development drawing on knowledge and top-notch technologies. Nevertheless, this insight into the benefits of change had a predominantly theoretical character and provided no motivation to revamp the strategies of the government. The dramatic damage caused to the Russian economy by the global crisis dashed the hopes and expectations of the Russian leaders. The crises demonstrated the vulnerability of a strategy based on the growth of the oil and gas sector which would enable Russia to sustain its influence on global politics and economics. Additional factors that rattled the confidence of Russian leaders were the incipient restructuring of the European gas market which, under the impact of the crisis, involved a growth of liquid gas imports from Qatar, the Caribbean states and Equatorial Guinea, US advances in the extraction and use of so-called shale gas and the perspective of the dissemination of this experience to EU member countries in the near future. It became obvious that in case these tendencies continued, Russia could lose its exclusive position in the European market and its influence on European politics.

Modernization became official policy with the establishment of a presidential commission for economic modernization and technological development through a presidential decree dated 22 May, 2009. One month later, Dmitrii Medvedev, in a speech before the Commission, formulated 5 target areas for a technological breakthrough. He named energy efficiency and energy saving, including the development of new energy sources, nuclear technology, space technologies, in the first line telecommunication, medical technologies including diagnosis equipment and pharmaceuticals, as well as strategic information technology including the development of supercomputers and software development. In other appearances Medvedev pointed out consistently that the country needed to reform its political system. It is true that legislative initiatives advocated by him involving a cautious liberalization of the electoral system, or the increase of the role of small parties in official institutions had a palliative character and did not usher in sweeping changes in the political system. Nevertheless, this strategy never became an issue of national consensus, or at least of elite consensus. This was due to two interlocking factors. Firstly, those groups in the Russian leadership which understood

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The fact that modernization was promoted to the top of the political agenda by Russia's political leadership is primarily due to the global economic and financial crisis. It would be erroneous, however, to assume that the governing Russian elites did not realize the necessity to discard the economic model which is exclusively bent on raw material exports and to replace it with a more advanced strategy of social and economic development drawing on knowledge and top-notch technologies. Nevertheless, this insight into the benefits of change had a predominantly theoretical character and provided no motivation to revamp the strategies of the government. The dramatic damage caused to the Russian economy by the global crisis dashed the hopes and expectations of the Russian leaders. The crises demonstrated the vulnerability of a strategy based on the growth of the oil and gas sector which would enable Russia to sustain its influence on global politics and economics. Additional factors that rattled the confidence of Russian leaders were the incipient restructuring of the European gas market which, under the impact of the crisis, involved a growth of liquid gas imports from Qatar, the Caribbean states and Equatorial Guinea, US advances in the extraction and use of so-called shale gas and the perspective of the dissemination of this experience to EU member countries in the near future. It became obvious that in case these tendencies continued, Russia could lose its exclusive position in the European market and its influence on European politics.

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<sup>1</sup> <http://www.kremlin.ru/acts/4168>

a support for his drive to emancipate himself from premier Putin<sup>2</sup>. Although a cautious Medvedev had previously tried to dissociate himself by addressing such themes as the fight against corruption or the establishment of a judicial system which would be independent from the executive, such attempts remained unsuccessful. If he succeeded in promoting a new issue in the political market, he would dispose of a sustainable strategy to position himself for the upcoming presidential elections. Secondly, the liberal criticism of the government modernization project showed from the very beginning that it would fail: the ruling elite, the exclusive beneficiary of the system, in which the state is the leading economic and political player, has no intrinsic interest in reorganizing this system along the principles of openness and competition.

The leading elite is not ready to renounce its privileges which help them to an exclusive disposition of budgetary, natural and administrative resources. Putin did not object, and indeed could not object even if he had wanted to, against the presidential modernization strategy. On top of that, during the first months of 2010, he obviously tried to take the lead in the fight for supremacy in this project. Thus, in the course of Putin's visit to Novosibirsk which was dedicated to the modernization of the educational system, some analysts held that he wanted to establish his own modernization project based on the famous Akademgorodok model. This blueprint would compete with the Center for Innovative Development in Skolkovo village near Moscow run by president Medvedev. Yet, regardless of this plan and the attempts of the premier at showing that there were no principal differences between his and the president's modernization strategies, moderate ruling politicians, the liberal opposition and reformist mass media benefited from the occasion provided by the appearance of a new theme in the agenda to show that the opposite was true. For them, this was an opportunity to demonstrate to the minority of citizens which supported the idea of liberal democratic change that there were profound differences between the stances of the president and the premier on key political issues. They wanted to show that Putin and his close environment were unable to realize the country's modernization. Such maneuvering clearly prevented the consolidation of the power elite.

Putin and the political circles which closely rallied around him made clear from the very beginning that they understood modernization primarily as a process of technical and technological economic innovation. In their view, an optimal model for the Russian political system had been established which did not need radical innovation, but only adaptation to the changing environment. Such views hark back to the experience of such earlier modernization drives as that of Tsar Peter the Great at the beginning of the 18<sup>th</sup> century, Minister Sergey Vitte during the epoch of Emperor Alexander II in the 90s of the 19<sup>th</sup> century, and finally, of the Communist dictator Joseph Stalin in the 30s and the beginning of the 50s of the past century. In all these modernization schemes which went with a strengthening of central control over society, the state played the leading role and attempted at providing a new technological basis for the economy. These modernizations had created exclaves in that they engulfed only concrete branches or individual territories. This, however, exacerbated the developmental disproportions between branches and regions. Remarkably enough president Medvedev did not criticize such a limited technocratic and technological understanding of modernization. As the modernization theme unfolded in the public policy sphere, another political fact became visible which at the end of the day had a strong impact on the way the final version of the modernization strategy was framed by the holders of power. We are talking about a factor boosting the sustainability of elite perceptions about the value presented by the experience of previous Russian modernization drives: Polls evidence clearly that the majority of the population has not yet overcome the fatigue caused by the failed

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<sup>2</sup> Михайлов А. Модернизация России <http://www.gazeta.ru/column/mikhailov3318587.shtml>

reforms in the 90s of last century and does not wish any large-scale change since it views them as a hazard for their material situation which has just begun to improve in the years preceding the crisis. At the same time, mass consciousness assessed the country's socio-political modernization potential very pessimistically. Thus, according to data published by VTsIOM (the Center for the Study of Public Opinion) in December 2009, 64% of Russians could not name any forces interested in introducing innovations, 19% held that such people did not exist at all. Fifty-nine per cent stated that the realization of an innovation scenario depended on the state and officials only<sup>3</sup>. But precisely this conservative part of society which fears changes and does not believe in their viability and is interested in preserving the status quo forms the main electoral basis for the present leaders and in the first line for premier Putin. An attempt at involving these strata into large-scale modernization projects would entail grave risks of the loss of legitimacy for the present regime. Realizing this constraint, the holders of power took to the idea of a bi-sectoral development of the country as well of exclave modernization. The political formula for this strategy was presented by the "party of power", Unified Russia. It was dubbed "conservative modernization"<sup>4</sup>. The meaning of this strange formula boiled down to the implication that modernization, at least during its incipient stages should not affect the broad masses of citizens. For the more advanced groups interested in change, one would have to create special enclaves („cities of the future“) which would play the role of an engine of socio-economic development for the rest of society. This is where the innovative economy was to be created and a technological breakthrough achieved. After this, the positive experience would spill over to other regions which would be engulfed in the development processes without repercussions and uneven modernization thrusts. The political edge of such a strategy was clearly identifiable, namely to achieve a revamping of the national economy and to preserve the power of the ruling elite. This would be safeguarded by the fact that the social situation of the strata linked to the traditional economy remained unchanged.

In the Russian ruling circles there were doubts from the very beginning that the present capacity of fundamental sciences would be sufficient for a technological breakthrough. This is why the idea to attract Russian scientists employed in foreign research centers to work in the modernization enclaves emerged. Nevertheless, soon after the start of the campaign designed to persuade fellow countrymen to come back to Russia it turned out that their majority were indifferent toward this idea and voiced no desire to return to their home country. The main reason for this was the distrust toward the Russian state, the disbelief that it would seriously and sustainably promote the building of „cities of the future“, that the means earmarked for research would reach the scientists and would not be "appropriated " by officials. Overall, many scientists working in the US, in Europe and Japan are appalled by the disorder in Russian daily life, the low level of public security, the arbitrariness of the officials, and the underdevelopment of the social infrastructure.

Therefore another idea emerged in the ruling circles of Russia, namely to invite renowned foreign specialists, including Nobel Prize winners whom they hoped to entice with high wages and honoraria. Yet, a majority of pundits have it that this will not pan out due to the same reasons for which Russian researchers decline to return from their foreign research centers and universities. Finally, the Russian leaders agreed on a choice of exclave modernization. They opted for Skolkovo, a village near Moscow, as a location to establish the first innovation center which they ambitiously dubbed Russian Silicon Valley. In Skolkovo, there is an international business school which operates within the framework of the EMBA project. As a coordinator, the Russian tycoon, president of the Renova company, Viktor Vekselberg was appointed.

The project is to be realized through joint efforts of government and business<sup>5</sup>. The most

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<sup>3</sup> VTsIOM press release No 1382, 8 December 2009

<sup>4</sup> <http://www.edinros.ru/text.shtml?11/1107>

<sup>5</sup> The first deputy head of the presidential administration, Vladislav Surkov, was charged with presenting the project to a mass audience in his detailed interview to the newspaper Vedomosti. Cf. Chudo vozmozhno, Vedomosti 15 February, 2010.

important role in building the “cities of the future” is given to state companies, in the first line to those operating in the high tech branches (ROSNANOTEKH). It is remarkable that the Russian leadership did not pay any attention to frequent and scathing criticism leveled against state companies for the low efficiency in their business operations, the exorbitant wages paid by them and the lack of accountability before organs of government control. Earlier, also president Medvedev had come out with critical remarks about state corporations. He had ordered an audit of their business activities.

In order to recruit private business, the government had proclaimed tax privileges for it. When it comes to political modernization, the holders of power are, according to Surkov’s statement, not willing to liberalize the political and party systems. This also holds for the administration of the “cities of the future”<sup>6</sup>. Thus, the Russian power elite is serious in its resolve to realize the project of exclave modernization. It has mustered the political will, significant resources and a defined operational strategy. Nevertheless, many pundits from different fields doubt the viability of this project. In a nutshell, their argument boils down to the following: From a theoretical point of view, the modernization of an industrial country is impossible without political liberalization and the creation of legal and organizational prerequisites for free competition among economic subjects which are independent of the state. In the history of mankind, including Russia, authoritarian modernization had succeeded only in the transition from agrarian to industrial societies. This pattern has only one exception, namely Singapore whose authoritarian leaders created a modern knowledge-based economy from an industrial society. But Singapore is a small city state, whose experience cannot be applied to the state with the largest territory in the world with a high degree of internal diversity. In the first line, this holds for state administration.

Some specialists maintain that prior to the establishment of an original innovative economy, one would have to establish sustainable economic, social and political institutions which would provide the conditions for transferring successful innovations from abroad. This path was taken by Japan during the 50s and 60s of the last century, and by the new industrial states in the Far East during the 60s and 70s (South Korea, Taiwan, Singapore and Hong Kong). Meanwhile, weak and frequently changing institutions are a characteristic feature of the contemporary Russian system. On top of that, the power elite does not engage in any efforts to invest in institution building. In its mindset, the illusion dating from previous modernizations, where technology transfer could entail rapid effects is still dominating. The ruling elite believes until this day that one or several inventions can trigger change in a short time period and make the country competitive in the world markets. The fears about a future gas price decline which would lead to the loss of the Russian competitive position concerning the delivery of “blue fuel” to Europe only strengthens the demand of the Russian power elites for such “miraculous discoveries” in the natural and technical sciences and in the field of technology. The Russian experience that advanced discoveries made in the course of the 18<sup>th</sup> and 19<sup>th</sup> centuries found no economic demand because of the pervasive lack of liberties, is not heeded by Russian

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<sup>6</sup> Idem

policy-makers and officials.

According to experts including those close to president Medvedev's environment, the creation of special exclaves of the Silicon Valley type for the realization of a technological breakthrough, has become an obsolete social arrangement under contemporary conditions.<sup>7</sup> To achieve a new thrust in technological development the integration of research groups and high tech specialists in a natural urban environment is needed, where modern infrastructure and appropriate convenient living conditions are provided. In contemporary Russia, where the state is tasked with establishment of the "cities of the future", many observers are reminded of the Soviet past. For the first time closed settlements for scientists who worked on classified projects in the fields of nuclear weapons and rocket construction were built under Stalin. Frequently, these researchers were inmates of the GULAG prison system (settlements of this type were called "sharashki"). Under Nikita Khrushchev and Leonid Brezhnev the state deployed a network of the so-called "Akademgorodok" settlements, where top scientists working in the most advanced fields of science and technology were concentrated (Novosibirsk Akademgorodok, Dubna, Pushchino, Protvino, Apatity and others). But this experience by and large worked only under the conditions of the Soviet system with its state economy, its centralized resource allocation and its seclusion towards the rest of the world. In the present situation, where the economy is no longer a state monopoly, and globalization and open borders provide freedom for researchers to opt for work in the whole world, a copy of the Soviet system, even in the form of its basic principles, will not be successful. Add to that the high level of corruption in the bureaucratic apparatus of the Russian state, and the prospects will look even bleaker. Some economic experts point to the fact that under the conditions of contemporary scientific and technological progress the state is unable to determine the direction for innovations, as this is attempted by the Russian government at this point.

Finally, a small group of specialists holds that the scientific and technological potential of contemporary Russia has been ruined after 20 years characterized by the erosion of the production capacities and the massive brain drain to an extent which does not permit to count on an effective innovative breakthrough. By the way, this point of view is not prevailing among the "pessimists". Nevertheless, even discounting this position, one has to admit that the realization of the project of exclave (or conservative) modernization in the format imagined by the Russian power elite, is fraught with serious hazards which do not permit to assess its prospects too optimistically.

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<sup>7</sup> Cf. For example, E. Gonmakher, Svoboda mysli, [http://gazeta.ru/comments/2010/04/01\\_x\\_3345994.shtml](http://gazeta.ru/comments/2010/04/01_x_3345994.shtml).