

# June in Russia: A Month of Surprises

by Roman Bessonov

Since his elevation to the Russian Presidency in 1999, Vladimir Putin regularly takes political analysts by surprise. This year it is happening more and more frequently.

For professional political analysts, Putin's decisions in diplomacy, foreign trade, and domestic policy, especially when it comes to personnel assignments, bring on real headaches. Forced to give some plausible explanation of the latest trip abroad, or a new appointment at home, the commentators often invent two or three parallel versions of what might be behind it. Sometimes it turns out that all the explanations were wrong, and the real significance of the event is revealed months, or even years, later.

After a series of such analytic flops, the disgraced domestic and foreign pundits have found an excuse for their own lack of insight: Allegedly, Putin's unpredictability is rooted in his former career in the intelligence service.

This theory is less than convincing. Two previous candidates to succeed Boris Yeltsin as President, Yevgeni Primakov and Sergei Stepashin, also originated from the intelligence community. But their major political moves were fairly predictable. It was impossible to miss, for instance, that Primakov would strike a political alliance with Moscow Mayor Yuri Luzhkov and then-Prosecutor General Yuri Skuratov. The same goes for Stepashin's clumsy flirtation with ex-Premier Victor Chernomyrdin and the latter's U.S. partner, Al Gore, on the eve of both the Russian and the American Presidential elections in 2000.

The disgrace of these contenders for the succession was explained at the time by Yeltsin's suspicious nature. He was presumed to be trying to make sure that his name would not be smeared, and his family would not face problems, after he retired.

Power transitions in Russia historically have been really troublesome. But egocentric fear was not necessarily Yeltsin's sole motive. Persons close to him indicate that the ambitious ex-chief of the Sverdlovsk Committee of the Communist Party of the Soviet Union was less than satisfied with the political place and reputation he had earned, due precisely to the policies of his patrons and sympathizers in the West. Consciously or subconsciously, Yeltsin could have been trying to select a successor, who would not share his weak points; who would be most likely to avoid his mistakes, and to serve as a guarantor not only of his own family interests, but of something larger—what he regarded as the “throne.”

In two years of work as Russia's national security chief, a post he entered by surprise, at the unprecedentedly low rank of colonel, Vladimir Putin had earned the highest confidence. Which of his qualities impressed Yeltsin? This secret has never been revealed in any of the numerous writings of the elder or the younger political careerists, as they attempted to hype their own role in the non-transparent selection of Putin.

In August 1999, informed observers were expecting the replacement of the Prime Minister. Still, none of the renowned specialists in politics and political psychology could explain why precisely Putin was the one who appeared to become Yeltsin's new and last favorite.

None of those specialists ever tried to estimate the real challenge faced by Putin when he inherited the authority to govern, with only two years of experience in a top position, the ambiguous status of being chosen by a very unpopular predecessor, no experience in military affairs, and a great lack of knowledge of national and global economic reality at a time of epochal changes.

Seven years have passed since the Summer of 1999, when Yeltsin resigned, entrusting to Putin the immense burden of responsibility over this huge country, which he received with half-stalled industries, abandoned agriculture, a dysfunctional tax system, and huge gaps in revenue. Social guarantees had collapsed; wage and pension arrears were unpaid in many regions for months or years. Financial oligarchs, well protected at home and abroad, exercised arbitrary rule over parts of the economy. Russia's military and security capabilities were devastated, hardly able to deal with a terrorist insurgency along the strategic southern borders.

It was a complicated mess, where all the fragmented social groups were interwoven in murky connections. The posterity of first post-Soviet Premier Yegor Gaidar's “institutionalist” reforms, along with the later deals between a shaky Kremlin and unbridled *nouveaux riches*, had given birth to powerful clans, involving state officials, businessmen, customs officials, police officers, and gangsters. The control of electronic mass media by the very people who donated money and equipment to armed separatists was just one example. This perversion was described neither in social science textbooks, nor in classified intelligence reports.

Could he improve the situation by focussing on any particular problem, without involving others? In order to re-establish social security, it was necessary to increase revenue. In



Russian Presidential Press and Information Office

*President Putin arrives in Shanghai on June 14 for the meeting of the Shanghai Cooperation Organization. The SCO represents far more than a mechanical “counterbalance” to U.S. forays in the region, especially as Putin shows signs of departing from “liberal” free-market dogmas.*

order to gain control over the egocentric private interests, one needed to reinforce the government apparatus. In order to combat separatist tendencies, the entire administrative system needed to be completely reorganized.

Could a perverted reality be managed by any ordinary means? A good lesson was the purge in Gazprom, which Putin initiated too soon, too abruptly, and too openly. Before the new team could start its work, half of the natural gas monopoly's assets were siphoned off into private havens, and it took the company over a year to recoup them.

Could Putin rely on his own intelligence community? Since the early 1990s, a lot of qualified officers had resigned from the intelligence bodies, joining banks and corporations, where they could achieve a far higher social status than before. In the depleted ranks of the intelligence community, social, ideological, and moral polarization developed in the same way as among other professionals. But an important peculiar-

ity was that former *chekisty* (intelligence officers, so-called after the early Soviet intelligence organization, the Cheka), hired by the oligarchs, often served with greater devotion than any other managers, and thus achieved the status of strategists for Russia's new billionaires.

Could Putin behave openly and sincerely under these domestic circumstances, with a no less troublesome foreign policy situation? Sometimes it seemed that he would like to, but during his first six years in office, he was unable to.

## A Plagiarized Misconception

Putin delivered his latest surprise for the Russian media community on the evening of June 15 in Shanghai, China, in a half-dark room on the 32nd floor of a huge hotel, where the Russian delegation resided during the summit of the Shanghai Cooperation Organization (SCO).

A famous Russian journalist, *Kommersant's* Andrei Kolesnikov, was trying to extract as much information from the President as possible. The more answers he got, the more he was puzzled, as his readers would also be, since they are well educated in the subtle details of everyday Kremlinology, but terribly ignorant of the crucial contradictions in the global economy.

The President was in a good mood, which he explained with one sentence: “We have never had such friendly relations with China.” Putin emphasized the significance of Russia's economic relations with Iran, and the commitment of both countries to cooperate in the Caspian basin and across Asia. On that evening, Russian and foreign mass media were informed about a new transnational project, involving three major countries of the region, and a corporation from the fourth country. The three states, with a very complicated history of relations, were India, Pakistan, and Iran. The corporation was Russia's Gazprom.

For the curious reporters, that was a pretext to raise their favorite issue: the person of Deputy Premier Dmitri Medvedev, chairman of the board of Gazprom, and a graduate of the same Law Faculty of the same Leningrad University as Vladimir Putin. So, is it true that he is the President's preferred successor, while Defense Minister and Deputy Prime Minister Sergei Ivanov, sharing the President's own intelligence background, is his bitter rival?

Surprisingly, the answer followed immediately. Putin explained that the duet of Medvedev and Ivanov, with their special distribution of most important missions in the government, was established at the request of Prime Minister Mikhail Fradkov. “Didn't you know?” he inquired.

On behalf of the journalist team, *Kommersant's* author admits: no, we did not. That idea never entered our minds. Why? Because of the fabulous secrecy of Putin's decision-making, or due to what a Russian author once called “lazy brains”?

Since the 1990s, analysts had interpreted Russian state policy in terms of “balance” and “unbalance.” Such terms

might have been appropriate for Yeltsin's personnel policies, but his successor's thinking and behavior could not be grasped in such a simple way. Yet even six years after Yeltsin's resignation, political experts were unable to apprehend the qualitative differences between his personality and Putin's, noticing a clear contrast only in self-expression and everyday habits. Applying the same mold to the new leader, the expert community missed a most significant distinction: Putin's ability to draw lessons from his own experience.

By the Summer of 2006, when the accumulation of changes displayed itself as a spectacular shift in the character of Russian domestic and foreign policy, the linearly thinking analysts found themselves completely helpless.

How could they recognize this shift, if even the figure of the Prime Minister was viewed by them as a mere "technocrat," without regard for Fradkov's background as trade envoy in India, deputy chairman of the U.S.S.R.'s Foreign Trade Committee and later of the Russian Federation's Foreign Trade Ministry, then head of the Federal Tax Police, and Russia's representative to the European Union? Why was he seen as a "technocrat"? Only because the choice of the new Prime Minister, back in Summer 2004, did not match the artificial division of the establishment into "liberals" and "force figures" (the notorious *siloviki*), introduced by the overrated analyst Gleb Pavlovsky.

This black-and-white pattern was conveniently plagiarized by Western experts, whose own linear thinking missed the simple fact that Pavlovsky's views reflected not reality, but rather an attempt to manipulate this reality by interpreting it. The narrow-mindedness of Western authors, who continued to reproduce this simplistic pattern for half a decade, reflected nothing but the mental heritage of the Cold War. On issues of Russian policy, both domestic and foreign politologists have fallen into the trap of their own constructs.

When the "technical" Premier proposed to divide the Ministry of Economy Development and Trade, this initiative was viewed as a "game" by the *chekisty*. Yet one day later, the President discharged Prosecutor General Vladimir Ustinov, regarded as a key ally of the *chekisty*.

This replacement, naturally, was the next subject of the discussion in that Shanghai hotel room. Again, the President was quite sincere, explaining that Ustinov would get a new appointment, to another top government position. Five days later, his new job was made public: Minister of Justice.

Despite Putin's prompting, not a single expert was able to guess that the apparent demotion of Ustinov did not spell the end of his career. Similarly, none foresaw that ex-Justice Minister Yuri Chaika would be named prosecutor general. What was widely regarded as a power struggle turned out to be a "castling" of two top officials, equally trusted by the Kremlin, for reasons possibly related to the administration of Russia's major state-owned energy-exporting firms. Perhaps Putin will reveal the details in his memoirs, a couple of decades hence.

## A Farewell to Curtsies

Putin's Shanghai remarks followed the jubilee summit of the SCO, which includes Russia, China, and four countries of Central Asia. The presence of top political figures from all the strategically important countries of the region, including the Presidents of Iran and Afghanistan, demonstrated that the SCO represents far more than a mechanical "counterbalance" to U.S. forays in the region, as it is traditionally viewed in both Russian and Western media.

This fact was understood at least by *Kommersant's* author, based on his experience at the Tenth International Economic Forum in St. Petersburg, which Putin attended immediately prior to the SCO summit. Writing about First Deputy Prime Minister Medvedev's address to the Forum's international guests, *Kommersant* expressed alarm that Medvedev, widely regarded as Putin's successor, "made not a single curtsy to liberalism."

What was the opposition liberal paper, a formerly respectable business weekly, transformed into a biased political leak sheet since its takeover by Boris Berezovsky, so nervous about?

Medvedev, according to the Pavlovsky scheme, had been regarded as a model "liberal," as opposed to the *siloviki* from the security and military services. Moreover, Medvedev was supposed to represent the "liberal faction" within Gazprom. His St. Petersburg speech shattered this construct.

Secondly, Medvedev dared to address the most painful subject for a Russian liberal: the state of affairs in the global financial community, whose agents of influence had directly shaped the mentality and activity of Russia's first post-Soviet governments. The absence of "curtsies to liberalism" indicated that the relevant Russian institutions and parties are doomed.

Medvedev stated plainly that the global financial system is undergoing a crisis, which will result in a dramatic change in the years immediately ahead. In the context of this warning, which it is hard to imagine his making even one year ago, Medvedev reiterated the idea that the Russian ruble could become one of the world's reserve currencies. Further, he said that Russia, perceived today primarily as a supplier of oil and gas, should elevate its role in the global division of labor. How, exactly? The answer was more than clear: The economic engine for such an elevation is the strategy of creating international infrastructure corridors.

The Iran-India-Pakistan gas pipeline project, discussed two days later in Shanghai, served as a good example of an economic policy, designed for the new era that would begin with the referenced dramatic change in international finances. *Kommersant's* authors should have said more: Medvedev's presentation did not contain any curtsy to the current concept of monocentric globalism; instead, it alluded to the guidelines of a new policy, which really was first formulated by Lyndon LaRouche.

Confirming that the "no-curtsey" approach was not merely



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*Deputy Prime Minister Dmitri Medvedev makes "no curtsies to liberalism."*

a spin-off of Medvedev's personal views, Finance Minister Alexei Kudrin suddenly started talking about the Russian economy's need for long-term, low-interest loans to finance strategic investments. Days later, Kudrin agreed for a 25% increase of disbursements from the Federal budget into the government's Investment Fund. Simultaneously, the Finance Ministry initiated a return to a progressive income tax, from the flat-tax system instituted by neo-liberal ideologues some years ago.

International media focussed more on Kudrin's push to make early repayment of the remaining part of Russia's debt to the Paris Club of state-to-state creditors. The proposal was echoed by Putin, who said in St. Petersburg, "By boosting the amount of foreign currency reserves and by repaying a comparable amount of Russia's foreign debt, we have established Russia's economic independence." The goal of national economic independence was made public for the first time in 15 years. The time has arrived, in what the Finance Minister characterized as "a new economic reality." Not more than that, but not less.

For two months prior, liberal papers had been chanting that the Russian leadership would make a number of compromises, in order to please the G-8 countries on the eve of the July 15 summit in St. Petersburg, especially for the purpose of accelerating Russia's leap into the World Trade Organization (WTO). The globalist "fifth column" in the Russian media excitedly quoted John Snow, the former U.S. Treasury Secretary, as foreseeing Russia's possible accession to the WTO before the July summit.

But Medvedev and, later, Economics Minister German Gref both made clear that Russia is in no hurry to join the major institution of economic globalism. Speaking to journalists during the informal media session in Shanghai, Putin put an end to speculation on this issue, pointing out that Russia is not going to accept double standards: "It is hard to negotiate when our colleagues from the United States are raising issues that had been regarded as resolved. As a matter of fact, they

are trying to coordinate our entry not with the rules of the WTO, but with their own national legislation. This is unserious."

Thus it was clear that the "no-curtsy" principle had been chosen by the President himself.

Foreign Minister Sergei Lavrov expressed the same principle in a diplomatic setting, with especially subtle irony. At the June 29 Moscow press conference of G-8 foreign ministers, just hours after being caught on tape needling and harping at Lavrov over Iraq and Iran issues, U.S. Secretary of State Condoleezza Rice gave a particularly inane, condescending account of how she views "democracy" in Russia. Noting that she had first visited Russia in 1979, Rice averred that she had "noticed many changes since then." "What a coincidence," rejoined Lavrov, "1979 was also the year of my own first visit to the United States, and I, too, have noticed many changes, which we shall discuss with the U.S. leadership." Rice was visibly nonplussed.

## The Sinking Beacons

"Russia should develop both to the West and the East," declared Medvedev in St. Petersburg. During June the schedule of Russia's President was dominated by diplomacy in the East. He spent five days in Shanghai and Astana, Kazakhstan. Before that remarkable tour, Putin received the chairman of the Organization of the Islamic Conference; after the Asia tour, he held a meeting with the Prime Minister of Turkey.

What the international media calls a "turn toward the East" was predetermined by what happened during the past two decades of Moscow's relations with the Western political and financial community. Two decades ago, the alluring brilliance of the West's prosperity seduced millions of Soviet consumers, including the younger generation of the U.S.S.R.'s elite. While members of what Soviet leader Leonid Brezhnev had declared to be a "new historical community of humans, the Soviet people," were turning toward a new glistening beacon—namely, a Western supermarket—professional anti-Communists triumphantly celebrated the collapse of the "Iron Curtain," viewed as the West's victory in the Cold War.

In that heady time at the end of the 1980s, sober warnings about the West's own imminent decline were neglected. Lyndon LaRouche, the author of the SDI-based concept of mutual scientific progress of the West and the East, was kept away from the public in a prison cell. His imprisonment reflected the profound immorality, which was soon to begin steadily, year after year, converting geopolitical triumph into miserable strategic doom.

The light of the West's globalist beacon faded in the eyes of Russians with every shock-therapy decree; with every lay-off at a newly deserted giant of industry; with every shell that in 1993 struck the charred wall of the freely elected but too disobedient Parliament; with the end of the ex-Soviet national space program; with chilling news from the spreading areas

of irregular warfare, located right along the line of Anglo-American corporations' unbridled appetites.

For the flight-forward ideologues of the globalist world order, the obviously ripening shift in Russian minds served as an argument for more provocation expansion. The new campaign was more a political offensive than an economic one. First came the simultaneous enlargement of the EU and NATO in May 2003. Then, a series of coups d'état along Russia's borders, triumphantly described as "democratic revolutions."

Ironically, this new crusade, instead of inspiring more nations with the advantages of universal democracy, exposed, to an unprecedented extent, the shoddy quality of globalist policies. Most impressive was the example of misfortunate Ukraine, where a successful coup d'état, celebrated in Washington and Brussels, led, in less than a year, to a miserable state of political paralysis.

In Tashkent, Bishkek, and Astana, similar coup plans met stiff resistance, having the net effect of a shrinkage of the Anglo-American military influence in the region, and a boost of strategic cooperation between Moscow and Beijing.

The "colored revolution" design (orange for Ukraine, rose for Georgia, etc.), which was officially declared by George W. Bush as a principal strategy, undermined the economy in the post-Soviet countries where it took hold. With every bloody clash in the devastated Iraq, also officially declared a model democracy, "globalism" and "disaster" were becoming synonyms. The ugliness of the Bush-Cheney "export of democracy" to Iraq, with its too visible underpinning of corporate greed, was the last argument for many Russians who had continued to be enthralled by the beacon of the West.

The continuous alarmist mantra of the international press, focussed on Russia's reluctance to accept allegedly universal globalist values and standards of behavior, sounds today more and more amusing to Russians themselves, especially when their own views are interpreted as the result of *chekist* pressure. Why should the notorious *chekisty* be blamed for the defeat of Russian liberal parties in the Duma elections of 2003? Or, for the alienation of unrecognized breakaway areas in Georgia and Moldavia from their "mother democracies"? Or, finally, for the commitment of Russia's leadership to a stronger partnership with Southeast Asia, where there is the prospect of more promising export markets, as well as joint scientific projects with the emerging economies?

The stupidity of the alarmist arguments, multiplied in the international media in May and June, is viewed in Russia as one more symptom of a progressive paralysis of the globalist concept. The diplomatic agenda of June 2006 confirmed this perception. The fruitful new round of Russian diplomacy with major Asian nations coincided with spectacular displays of disarray in the ranks of the community of "winners of the Cold War."

In June, Italy became the latest European country to decide to withdraw its troops from Iraq. In June, the U.S. President was rebuffed by the Supreme Court over the illegitimate exercise of authority in the Guantanamo penitentiary. In June, a squad of NATO troops, arriving in Feodosia, Crimea (Ukraine), was driven away not by Russian *siloviki*, but by political demonstrations. The picketers condemned the would-be "guardians of democracy," inclusively for undermining the region's income from tourism. NATO's Sea Breeze-2006 maneuvers were stymied.

In June, WTO President Pascal Lamy warned of the possibility of a collapse of the organization, to which Russia is supposed to pay an expensive entry ticket. A debate among the EU, the United States, and the emerging economies of the G-20, lasting for five years, has led into a blind alley.

Will the anticipation of a qualitative change in global policy, expressed in Medvedev's presentation, introduce a new agenda for global trade issues? Will the most powerful states of the world, seeking to prevent the implication of the financial collapse, have enough time and responsibility to develop a new language of dialogue, not based on Cold War stereotypes? By starting his Message to the Federal Assembly, delivered in May, with a quotation from Franklin Delano Roosevelt, Putin sent a clear message also to Washington. Why not start the revision of the global economic affairs with the equally critical problems of Russian agricultural workers and American farmers?

## **A Railroad, a Highway, and a Sun**

The doom of respectable global institutions has touched off hysterics in the Russian liberal media. Like their counterparts in the West, they launched a campaign against the Kremlin on the eve of the G-8 summit, energetically hyping its importance, while even more enthusiastically predicting its failure. At first, the professed skeptics trumpeted in unison that President Bush would boycott the event. This scenario was retailed many times, before Condoleezza Rice announced that Bush is still coming to St. Petersburg.

Other pessimistic remarks focussed on Russia's unequal status in the G-8. Readers were told that probably Russia's finance minister would be not invited to the strategic discussion of global financial affairs. When all the ministers still arrived in St. Petersburg, and listened to Russia's top state financial officials attentively, the skeptics then forecast a failure of Russian-German financial negotiations. After this pessimistic forecast also burst, observers predicted a collapse of Russia's talks with the Paris Club.

Still, on June 29, the Paris Club agreed to accept Russia's early repayment of its remaining \$22.3 billion Paris Club debt. The following day, the Russian government removed all capital transfer restrictions, making the Russian ruble officially fully convertible. The same liberal authors who used to promote the ruble's convertibility, now raise doubts about the danger of too great an influx of foreign capital, as well as



Russian Ministry of Transport

*Highway construction in Russia. The government's new Investment Fund is designed for domestic investment in large-scale projects.*

the possibility that, in the event of a collapse of oil prices, a convertible ruble would ruin the economy.

Meanwhile, the Finance Minister announces his decision to convey over \$5 billion, economized due to the early Paris Club repayment, to the government's Investment Fund, designed for domestic investments in large-scale projects. On the same day, the President discusses the investment policy with leaders of the United Russia Party. The discussion is focussed on highway infrastructure as a fundamental factor for the national economy.

On June 14 Sergei Kiriyenko, former co-chairman of the liberal Union of Right Alliance, travels, in his new capacity as chairman of the Federal nuclear energy agency, to Severodvinsk, the once-famous nuclear-submarine-building center. He announces a unique project of floating nuclear power plants, also usable for desalination of sea water, which are going to be produced both for domestic needs and for export. The design belongs to the St. Petersburg-based Atomenergo-proyekt Institute.

The most impressive scientific presentation of the month was also made in the President's native city, St. Petersburg. On the first day of the International Economic Forum, the

annual Global Energy Prize was presented to an international team, involved in the project of the International Thermonuclear Experimental Reactor (ITER). The prize was awarded to Yevgeni Velikhov, president of the Kurchatov Center and chairman of Russia's Public Chamber; to Robert Aymar, general director of the European Nuclear Research Center (CERN); and to Masaji Yoshikawa, a director of Japan's Thermonuclear Research Council.

In his speech, Academician Velikhov recalled that the project to build a "man-made sun" was started in the U.S.S.R., which proposed to unify the efforts of four major international programs on controlled thermonuclear fusion: those of the Soviet Union, the U.S.A., Europe, and Japan. The feasibility study was completed, however, only in 2001. Four years later, the parties agreed to choose the Cadarache Nuclear Center, France, as the site for construction of the reactor. Months later, the project was joined by India.

### **Beware the Loft!**

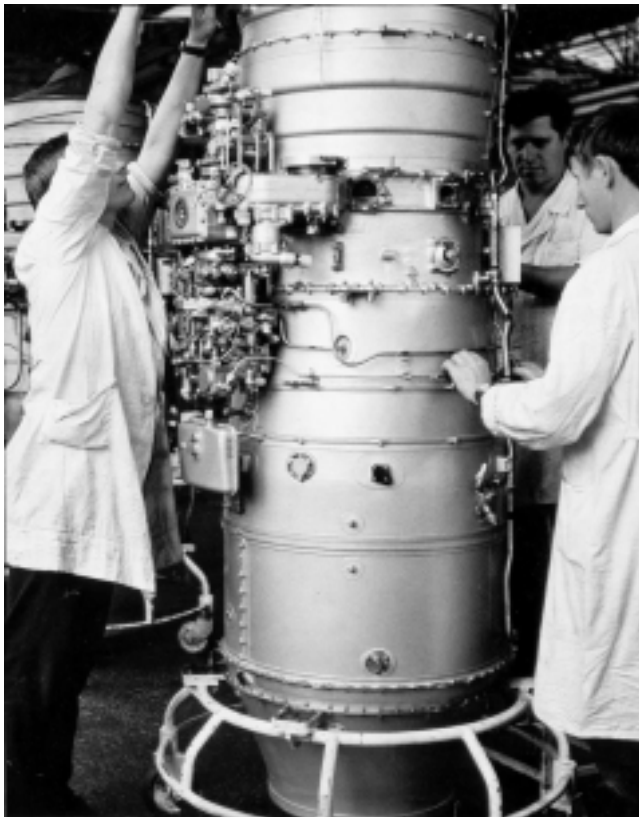
Ridiculing the new wave of "Russophobia," pouring from the pages of American papers on the eve of the G-8 summit, London *Guardian* author Jonathan Steele explained this hysterical chorus in terms of the U.S. neo-cons' rage over Russia's increasing independence in economic and political affairs. Steele characterized Dick Cheney's April tirade against Russia, delivered in Vilnius, Lithuania, as the most arrogant attack on Russia since 1991, illustrating Cheney's hypocrisy by citing his exceptionally friendly treatment of Kazakhstan—where he was about to seek economic concessions. Kazakhstan President Nursultan Nazarbayev signed a commitment to supply oil to the Americans' favorite pipeline project, from Baku, Azerbaijan to Ceyhan, Turkey.

Putin appeared unperturbed by Nazarbayev's concession to Cheney. Simple calculations suggest an additional 3 million tons of crude annually will not change the weather above the Caspian. For Kazakhstan, participation in Russia's space program is more important than the export of oil, which it exports not only northward (to Russia) and westward (for Baku-Ceyhan), but, most of all, to China in the East.

In June, the Russian audience learned from a respectable U.S. author that Bush's White House has cooked one more pancake: a project for Ukraine's "express" entry into NATO. A similar pancake, according to informed private sources, is being cooked in Armenia, involving a "peacekeeping" siege of the unrecognized Karabakh Republic, and a "humanitarian" control of this republic's border with Iran. The character of the preparations, especially in Armenia, indicates that the most vicious options, involving U.S. military force, cannot be ruled out.

Even such a strong critic of Russia's policies as Nikolay Zlobin of the World Security Institute says in a recent interview with the Polit.ru website, "The United States often doesn't understand what it is doing."

Harvard's Kenneth Rogoff points out that Putin might



*Aircraft construction during the Soviet period. Reviving transport and other infrastructure must become a top priority for the Russian government.*

well be envied by every other G-8 leader, since he is the only one of them who could be re-elected, if he wishes, tomorrow. The point is well taken. It could be added that Washington's preferred alternative to Putin, former Prime Minister Mikhail Kasyanov, is, by contrast, the most colorless "colored revolution" stooge ever contemplated. And his greatest blunder was not the hasty purchase of a country house on his last day in office, but his public statements in support of the business oligarchs.

Openly, Vladimir Putin declared only once, at the start of his first Presidential term, that "the oligarchs should be kept equally distant" from state power. This remark was later ridiculed, as not all of the tycoons were distanced at the same moment.

Today, however, it is quite obvious that the leading role in the Russian economy has been acquired by state-dominated corporations and banks, while the previously dominant privately owned oligarchical groups are now unable to dictate their will to the state, or to privatize Russia's foreign policy.

Today, international financial institutions no longer dictate Russia's budget policy. Not only the Federal authorities, but also Russia's regions are refusing to borrow from the World Bank. Numerous foreign non-governmental organiza-

tions (NGOs), which freely operated in the country in Yeltsin's time, are now forced either to comply with newly adopted legislative restrictions, or to curtail their activity in Russia.

Today, persons in the government who had earned their reputations as free-market liberals, are displaying a shift in the direction of dirigist economic policies. Meanwhile, libertarian blockheads, typified by von Hayekian professor Yevgeni Yasin and ex-Presidential Advisor Andrei Illarionov, are alienated from policy-making.

The preparations for this change required a long time, great patience, personal courage, and a high level of privacy in decision-making. June 2006 was a month of surprises, unravelling one after another.

Take Finance Minister Kudrin's exclamation that "Russia will no longer stand with an outstretched hand!" Or, Medvedev's promotion of the ruble as a world reserve currency. And Gazprom's rapid-fire move into numerous European markets, with new export agreements.

Or, the surprise initiatives of Russia's Nuclear Energy Agency, echoed by Defense Minister Ivanov's surprise directive, announced in St. Petersburg, that 90% of Russia's military production should involve dual-use technologies.

A strategic shift, equally in political, economic, foreign, and public affairs, is quite evident. This does not mean that it is irreversible. The recent example of Ukraine, where the first economic results of Victor Yanukovich's government were buried by the postmodernist coup d'état, labeled a "revolution," at the end of 2004, exemplifies the fragility of a political construction, in which the leader who has some progressive intentions is separated from the people by a formidable barrier, such as the powerful parasitic class, rooted back in the late Soviet period, to which most of today's criminal groups owe their rise.

"Do you enjoy visiting your native city?" a journalist asked Putin in Shanghai. Again, Putin was unusually sincere. "I'd like to," he said. "But in my native city, I am also surrounded by bodyguards."

On June 29, just two weeks before the G-8 summit, the St. Petersburg police discovered a cache of weapons in the loft of a house on Moskovsky Prospect, facing the official delegations' motorcade route. Similar preparations were made by unidentified persons in September 2004, when the President was going to arrive in St. Petersburg with Yanukovich. Half a year before, Russian and Israeli intelligence sources warned the Kremlin about an assassination attempt, designed by one of the most arrogant emigré oligarchs: The idea was to make the colorless Prime Minister acting President, and then parachute him into the Russian "throne."

Many times in Russian, American, and European history, promising intentions of general benefit have been reversed by means of the physical extermination of those who dared to express them aloud. Putin's manner of secret decision-making, followed by surprise moves, is well substantiated.