



Ministry of Foreign Affairs  
of the Czech Republic



# Russia in Motion Ambitions, Capabilities, and the Search for Identity

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Venue: Czernin Palace, Ministry of Foreign Affairs, Prague

## Welcome and opening remarks

- ▶ **Petr Kratochvíl**, Director, Institute of International Relations, Prague
- ▶ **Eliška Žigová**, Director, Northern and Eastern Europe Department, Ministry of Foreign Affairs of the Czech Republic

Mr. Petr Kratochvíl started by thanking the Ministry of Foreign Affairs for its support in organizing the conference. He then passed the floor to Ms. Eliška Žigová, who, first of all, gave her thanks on behalf of the Ministry and also apologised for the absence of the Director General of the European Section of the Ministry of Foreign Affairs of the Czech Republic, Mr. Ivo Šrámek. Secondly, Ms. Eliška Žigová emphasized the importance of Russia for the Czech foreign policy and also stressed upon the independent point of view of the specialised speakers. Mr. Kratochvíl continued by presenting the speakers.

## **Panel I: Trends in the Russian Society: International Development and Foreign Policy Ambitions**

**Chair:** Petr Kratochvíl, Director, Institute of International Relations, Prague

- ▶ **Konstantin von Eggert**, freelance journalist and analyst, formerly editor-in-chief at Radio Kommersant and BBC Russia
- ▶ **Boris Grozovski**, economist and editor, Forbes Russia
- ▶ **Alexander Morozov**, editor-in-chief, Russian Journal Magazine
- ▶ **Nikolay Petrov**, Professor at the Higher School of Economics, analyst, formerly of the Carnegie Moscow Center
- ▶ **Natalia Zubarevich**, Professor at Moscow State University, economist and analyst, Independent Institute for Social Policy

**Konstantin von Eggert** started by expressing his approval of the points in the title of the conference. Although Russia is still in the search of its identity, when talking about its external relations, Mr. Eggert stated that Russia is a state that has clear-cut national interests and values, as well as domestic and international agenda. One of the main mistakes pointed out by him was that those trying to analyze Russia are not focusing on the domestic issues, adding that Russia is being in a transition process. He argued that the collapse of the Soviet Union at the beginning of the 1990s is still not fully understood by the Russian society and this leads to no progress. According to Mr. Eggert, the Russian society believes the collapse of the Soviet Union was not wished for and tends to think it was the result of some sort of conspiracy.

In addition, due to the state affairs of Russia all of its policy is domestic, including, for example, Ukraine or NATO. Furthermore, it was argued that the national interests are being turned into the interests of the ruling class due to the absence of civic society and of progression goals. In other words, the foreign policy is related to maintaining Putin's position and power.

Although not the topic of this conference, Konstantin von Eggert addressed the issue of Ukraine from his own point of view. He referred to Maidan I and Maidan II as two of Russia's latest and most important events on the internal stage that, in fact, did not happen in Russia. He also mentioned Kremlin's fears of a Maidan III in Moscow; a fear that led to Russia's resources being used in order to avoid such an event. As a consequence, there have been tactical strategies of the political class to stay in power, for example, the annexation of Crimea. From Mr. Eggert's point of

view this might lead in the future to the society being mostly pro-EU and anti-Kremlin, exactly the opposite of the expected.

At the core of Russia's policy is the issue of legitimacy and in support of this Mr. Eggert continued with the Crimean issue, arguing that it had nothing to do with NATO enlargement or with "what Putin called external hard security". Once more, it was stressed out the idea that all these events are just ways of strengthening Putin's power and of his entourage, especially by "using the post-soviet, post-imperial inferiority complex for the benefit of the Kremlin". It was also added that this event might have changed the nature of legitimacy of Russia.

Mr. Eggert asked himself how long Putin's current popularity will last and what will happen, in the near future, once the people will stop being euphoric about Crimea.

It was also brought into discussion the decision of the current regime to stop the policy of pretending to be the regime of all Russians. This led to the existence of two types of Russians: the good Russians, the ones that love their tsar, and the bad Russians, the ones who in Putin's view are national traitors for opposing his policy.

To conclude with, Mr. Eggert said that the events of the previous months consolidated the Kremlin, but at the same time they created more instability both at domestic and international level and therefore, the future is unknown and unstable for Russia.

**Boris Grozovski's** presentation covered 6 major points.

First of all, Mr. Grozovski talked about the Russian policy by referring to the current situation and the current Russian political elite. According to him, the main goal of the government is to safeguard and increase the power for themselves only, all the other goals being secondary.

Secondly, the result of the decision-making is the indifference of the ruling elite. Mr. Grozovski addressed the issue of what the government is doing from the perspective of economy, and argued that the government could privatize or nationalize the companies, as well as improve the investment climate. However, this gave rise to the question of how people react to this kind of actions.

The third point addressed the fact that the disposition of the government can influence the public opinion.

The fourth point was related to propaganda, which is said to be the primary competence of the government.

In the fifth point Mr. Grozovski mentioned that president Putin is willing to do anything to stay in power, for instance, even by prohibiting loans from the West to Russian companies.

The last point focused on the citizens, a society whose approach was more towards personal prosperity rather than altruism and whose level of trust collapsed together with the collapse of the USSR. However, things seem to have improved in the past years.

Mr. Grozovski concluded by saying: “Russians are now forced to stay with Putin’s government. How long will it last? I don’t know!”

**Nikolay Petrov** started by saying he does not have any good news regarding Russia’s situation, yet. In his view, Russia is moving towards full size authoritarianism with certain elements of the political landscape. Also, a confrontation with the West was inevitable. On the other hand, the country seems to be kept closed instead of promoting competition and economic development. He also stressed the importance of a move by the Russian leadership which seems to be different in terms of the multidimensional choices that have been made. These multidimensional choices were made in favour of mobilization of economy, authoritarian regime, hard power, and the East. The regime is transforming in a very fast way and this transformation includes the weakening of the institutions, the creation of police state, the nationalization of elites, the expansion of the state in the social and personal life sphere, and the weakening of the judiciary. In other words, Mr. Petrov put forward the fact that Russia is moving in a dangerous direction. He also agreed with one of the previous speakers, Mr. Eggert, on the issue of legitimacy, stating that the current legitimacy is a negative one and one of the ways of changing this could be through a repression mechanism.

Mr. Petrov concluded by saying that the regime is hostage of Putin and the people are hostages of this regime losing any chance of positive evolution. According to him, Russia is moving towards a dead end. Yet, the only positive thing was said to be the crisis that led to a faster political development.

The next speaker, **Alexander Morozov**, first of all mentioned that the situation in Russia is linked to propaganda, and secondly, he brought up the discussion about the political space, arguing that Russia doesn’t have a political centre in a classical sense. New ideologies emerged, which are not only left or right, but also centre. In his view, Putin is not only a problem in Russia, but also in Europe, a situation contrasting with the fact that in the previous years there were supporters of Putin in Europe.

Furthermore, it was mentioned that the European support of the civil society in Russia, considered a paradox, since, for 25 years the European citizens or European NGOs supported the Russian civil society. He concluded by saying that there is a need for strategies for the future regarding the civil society.

**Natalia Zubarevich** supported her discussion with a PowerPoint presentation called “Russia and its Regions Economic Development Trends and Prospects – Sanctions after Crimea Annexation and the Other Risks”.

The first point regarded political benefits and economical costs. The second point argued that political analysts or politicians are overestimating their decision to do anything. The shift to the East appears to be a dream of Russia taking into account statistics, exemplified by the fact that the share of China in the Russian export is being less than 6% compared to European shares being 50%. The third point regarded the sanctions and their influence on different spheres of the Russian economy. The last point was a short discussion regarding the situation in Crimea, a region with a lot of problems such as infrastructure or water, adding that the expenditures of the Sochi Olympic Games were similar to what is needed in Crimea. However, there is a wrong impression that the Russian economy is in a good state when in fact it has a lot of problems.

## **Discussion**

Mr. Kratochvíl gave the floor to the questions and comments to be made.

One of the first questions addressed the issue of geopolitics that was not mentioned by any of the speakers. However, regarding the geopolitics, Mr. Nikolay Petrov argued that in restoring Russia’s role there are two concepts, one associated with economy and one associated with Russia as superpower. By taking Crimea, Putin put an end to his imperial approach. Also, regarding the West, he said that the leverage of the West is much weaker currently than it used to be. Russia’s priority is into non-domestic law against any international decisions and in this sense the West cannot do anything beyond economic sanctions. He views the sanctions as playing an important role although they cannot have immediate effect.

Another question addressed the issue of cultural policy, which Mr. Eggert thinks is an important element. The attempt to direct culture is an important part of the grand project that Putin is undertaking, that of remaking Russia in the way he thinks it needs to be remade. “Putin wants to be the one giving Russia a new identity which is not western but not Asian too.”

Alexander Morozov added that analyzing the people's practices in economical behaviour, and cultural and political lifestyle we cannot see many changes. He considers that Putin doesn't have the instruments to change this lifestyle.

Mr. Kratochvíl addressed a question regarding the sanctions from an economic point of view. Ms Natalia Zubarevich gave a few examples and added that sanctions are weak, but when economic conditions are unstable sanctions will fasten the decline of the Russian economy as a whole, and that the Russian bank system is not strong enough. She concluded by saying that we don't need to underestimate the influence of the changing mind of Europe. On the other hand, Mr. Boris Grozovski believes that they don't work.

Mr. Eggert believes that the elections in Ukraine were an unpleasant event for Crimea. The current task is to show to the Russian public that Russia suffered no defeat in Ukraine; whereas the Ukrainian president should control the situation on the ground otherwise he would be perceived as weak.

Mr. Grozovski said that when the Soviet Union started to collapse it collapsed very quickly and according to him even Putin's regime could collapse like the Soviet Union. However, it is uncertain if the next leader will be better or worse than Putin.

For Nicolay Petrov, Ukraine suffers a lot of problems because of Russia's political regime, not only economic but even regional problems. With this last remark and thank from the chair to all the panel was closed.

## Seminar – The Media in Russia: Perspectives of an Uneasy Relation

*Chair:* **Petr Kratochvíl**, Director, Institute of International Relations, Prague

▶ **Alexander Morozov**, editor-in-chief, Russian Journal Magazine

▶ **Konstantin von Eggert**, freelance journalist and analyst, formerly editor-in-chief at Radio Kommersant and BBC Russia

▶ **Nikolay Petrov**, Professor at the Higher School of Economics, analyst, formerly of the Carnegie Moscow Center

▶ **Václav Lídíl**, Analyst at Association for International Affairs

▶ **Ondřej Soukup**, journalist, Hospodářské noviny

**Mr. Kratochvíl** introduced the topic about media in Russia. He was looking forward to discussing the sensitive and important topic about the role of media in Russia. He expected an interesting discussion about different questions. For instance, can the sociological polls about the popularity of Putin (more than 80%) be trusted? This is also related to propaganda and the role of mainstream media.

**Mr. von Eggert** started the discussion. He spoke shortly about the development of media in Russia from the 1990's on to the present. During the 90's there was relative freedom. The first two terms of Putin showed a decline of freedom. In the period of Medvedev there was an upswing, but then again back to Putin and to a situation that is even worse than it was before. Mr. von Eggert is convinced that for Putin controlling the media is one key element to keep in power. His somehow easy way to power in the late 90's caused partly also thanks to the mass media (especially TV) must have convinced Putin that controlling media means political success. This situation now in Russia is therefore a well-organized propaganda which has a deep impact on people's mind.

Mr. von Eggert referred then to the sociological polls of 80% that Mr. Kratochvíl mentioned and he thought that this was rather around 70% because of some people who answer poll questions in a way that might rather fit to the expectations of the political authorities. This is somehow a heritage of the Soviet time when people used to answer differently in public than at home. So this high percentage is probably not as fantastic as it seems to be. But anyway there are enough empirical evidence showing that Putin is now much more popular after the takeover of Crimea. Mr. von Eggert knew it even from own experience. In this sense patriotism effected Russian people. So he then came to the question: Why is propaganda so widely successful? He explained that this goes back to the end of the Soviet Union and its fast end. It was a dramatic loss for Russians and for

Russian self-confidence. Putin now uses the television (most important media because around 80% are influenced by that) not only for the self-presentation but rather as a collective psychotherapy instrument. The case of Crimea was not about Crimea itself, about Ukraine or NATO standing on Russian borders. It was more about the Russian self-confidence to stand up to face the USA and the EU in order to show strength. It was the first time after the loss of the Soviet Union that there was a kind of avenging feeling after being defeated in the Cold War. But what comes next? There is nothing that Putin can do which will again have this kind of huge effect on the national psyche as the Crimea occupation. Crimea is something that was anyway seen as a symbol of injustice.

So what happens now with the media? According to Mr. von Eggert it seems there is a clear tendency that the media is shifting from externalism to internalism (the enemy within Russia). The media that disagreed on policy was more or less tolerated before (until 2013/2014) but now it changes. Everyone who disagrees with Russian Crimea policy is seen as a national traitor. But the media is not shy so the media will focus more on the domestic issues in the next step. How could it happen that Russia after a period of, more or less, free media during the 90's fell back to a more controlled media? He explained that this specifically can be described by the political culture and development over the last 20 years. He further stated that loosing an empire is very painful in this sense and that the value system is also a reason for this kind of development. Russian society is quite individualistic but on the same time people feel quite powerless because of the circumstances regarding globalisation, government, local police and so on. Thus the government uses the media to maintain this kind of powerless behaviour by promoting cynicism. Cynicism will stay longer than Putin stays in power. However, the last thing that Mr. von Eggert mentioned is that many journalists lose their jobs because they do not want to write lies. The state media is the most powerful one and it controls the opinions and that, from his point of view, will not go away so soon unfortunately.

Mr. Kratochvíl thanked for these explanations. He especially liked the idea of the external enemies. There is an approach from scientist (David Campbell) to see a balance of external and internal enemies in the world. This now seems also to be held true for Russia.

According to the next speaker, Mr. Morozov, Kremlin is in a good position because there is the majority that wants to use the state-based media. The liberal and critical minority has no good strategy to face this kind of "yellow press" about for instance "fascists" in Kiev. What is the strategy of the liberal minority now? This is very important question. From Mr. Morozov's point of view the situation is different now than it was after a period of transition. Maybe it needs a different way of educating journalists. Maybe there is also a need of a different kind of human rights policy.

The journalists in Russia cannot work freely. There is even an information war going on and the fascinating point of this is that many Russian journalists and media experts take part of that information war and that even against the own population. But according to Mr. Morozov, he does not believe that educated people would even believe in this kind of information war that even speaks about a third world war or a new cold war. There must be a new view on the relationship between Russian and European Union's media. It is a problem now because, after Crimea, old communication channels do not work anymore between the West and Russia.

Mr. Kratochvíl referred to the relationship between the EU and Russia and the perception that can go to a new direction. Then, he introduced the last two speakers.

Mr. Soukup began to talk about an initiative that could include creating a Russian speaking TV channel to inform East-Ukraine in an objective way. And the Visegrad group might finance it. But from his point of view this is, on one hand, completely wrong idea. One reason for that is that people would not be motivated to watch that kind of program that would send from, for instance, Prague. There is not a lack of information but it is rather quantitative overwhelming including not only traditional media but also social media. Another reason is technical. How to broadcast this channel? That would be a problem. People would not like to see such an effort. The different channels that already exist (with different programs) are anyway more useful. On the other hand, to have a Russian-speaking channel like this is not such a bad idea. There are many discussions and projects (also from Visegrad group) about having an independent Russian speaking TV channel outside of Russia. There is a huge and interested audience of Russian speaking people living in Europe (for instance in Germany 2 Millions, millions in the Baltic States and also few in Czech Republic) who could like to see such a TV channel. There are also journalists who were fired and left Russia who could work for that kind of channel. But the main problem is credibility. Who would finance such a channel? Oligarchs who are living abroad? According to Mr. Soukup the channel should be financed very diverse and even by commercials. In other words, it should be independent.

Mr. Kratochvíl talked a bit about this idea of this kind of TV channel and then he gave the word to the next speaker.

Mr. Lidl wanted to speak about how state propaganda works in Russia. In this case he drew an allegory speaking about warfare but in the sense of information warfare. Newspapers play the role of armies, the media is the weapon and the public sphere is the front line. The goal is to bring the public opinion to the government side in order to control the population. Another point is that in

Russia, there is an authoritarian regime that is not able to legitimize power through free and fair elections. However the regime tries to imitate democratic process through creating some sort of well-being and stability. But according to Mr. Lidl this is not working anymore because of different protests in Russia in 2011 and 2012. In these circumstances Russia now tries to legitimate its regime by foreign successes (for instance, Ukraine, the Russian-Georgian War in 2008 or the Eurasian Economic Union – in a sense recreating the Soviet Union → Post-Soviet nostalgia). Those kinds of legitimizing mechanisms through foreign policy were already used in the mid of 19<sup>th</sup> century and also during Brezhnev times on Crimea. Mr. Lidl pointed out that such success can only be efficient when there is media working which influences the public discourse. Thus more than 63% of Russians believe that the state-based media are objective. In other words, Putin was and is successful in manipulating the population through basic TV channels. Over 90% of Russians say that TV is the main resources of information. Access to alternative media with different opinions is limited. Some regime critical media such as Novaya Gazeta (most important independent daily news) can still work but only because they have only small reach. Thus, the regime let them work more or less. But if they would get bigger the regime would close them down. The regime uses media to control the population. For instance, the TV channel Russia-24 argues that Russia is just trying to protect Russian-speaking people in the near abroad (propaganda in using catching words such as fascism, bandits or coup d'état). In fact, in the case of Ukraine, this kind of propaganda was and is very successful. People like foreign minister Lavrov and their professionalism in using propaganda in this information war could confuse the West and so delay its reaction. The information war is far from being over and from Mr. Lidl's point of view, the West loses this information war because it does not understand the Russian goals. The West must firstly understand the ordinary people and then thinking about how to weaken Putin's regime.

## **Discussion**

**Mr. Kratochvíl** began the question round with a few questions: 1. What do the speakers think about the efforts of Russia to sway the public opinion in the West? There is a contradiction if the Russian information war is successful or not, so what do the speakers think about that? 2. How effective is the Kremlin in controlling the Internet in Russia and how effective it is in influencing the social media in the West? Mr. Kratochvíl asked the last question because he himself observed on one social media platform that during the Ukraine conflict there were even many Western media which support the Kremlin view. However, there are also questions from the audience.

**Mr. Bielyi** (Ukrainian student from the University of Economics in Prague) had a question to the Russian guests: Do Russian journalists and moderators of the main Russian channels realize what they say? Do they understand if they lie, believe what they say or what they have to say?

Mr. von Eggert began to answer those questions. He is convinced that Russian journalists know they lie but they do it because of money and a higher goal. Thus lies are used (for instance photo montages) to support Russia. It seems that there are some journalists who think lying is a useful tool to promote Russian interests or journalists who think as long as they get a high salary they do what they are asked for.

Mr. Morozov saw the people (journalists) in Russia who support this kind of Russian propaganda. It is their Kremlin propaganda and propaganda is also used in the West. Thus, at least it is their own Russian way of using the media. Journalists say that it is normal to use propaganda in war-times. It is strange and interesting but there is a need for it against the West and Ukraine. He then gave an example of Churchill and expressed that based on the liberal methodology the West had and had had the power to resist authoritarian regimes.

Mr. Soukup wanted to answer those two questions that were asked before concerning the role of Russian propaganda in the West and within Russian. There is no real secret because there are hacker organizations (i.e. Anonymous International), which hack e-mail accounts. These kinds of people are paid to go, for instance, on social media platforms in order to positively work on the image of Russia and its current foreign policy. Mr. Soukup also gave some other examples. The methods are basically not only professional and well organized. It can be very simple to influence media. Mr. Soukup then referred to the second question of Mr. Kratochvíl talking about the role of Internet. Mr. Soukup described that when he was on Crimea (referendum in March) he saw different Internet because social media such as Facebook are very useful to create own realities. So there is no lack of information but there are too many information, which make it difficult to sort out.

Mr. Lidl finally completed the question round by talking about the evaluation of the information warfare. Russia is successful to pressurize the Russian public opinion. There are even politicians who use elements of messianism in their speeches. There must be something wrong according to Mr. Lidl. Looking at Ukraine, the Russian information war is not so successful because there is not such a control in media like in Russia. But it is used to polarize the society and the consequences can be seen now in Ukraine. In other words, there is a long-term process going on which started with the cyberwar against Estonia.

## **Seminar – The Economy of Russia: Structural, Quantitative and Qualitative Challenges and the Role of Russia in the World Economy**

*Chair:* **Michael Romancov**, Institute of Political Studies, Faculty of Social Sciences, Charles University in Prague

- ▶ **Boris Grozovski**, economist and editor, Vedomosti.ru, Forbes Russia
- ▶ **Natalia Zubarevich**, Professor at Moscow State University, economist and analyst, Independent Institute for Social Policy
- ▶ **Martin Janíčko**, economist, Moody's Analytics
- ▶ **Karel Svoboda**, Institute of International Studies, Faculty of Social Sciences, Charles University in Prague
- ▶ **Nikolay Petrov**, Professor at the Higher School of Economics, analyst, formerly of the Carnegie Moscow Center

**Michael Romancov** introduced the speakers and clarified that the speakers have 15 minutes each to give their presentations.

**Boris Grozovski** started off the presentations as the first speaker. He spoke, firstly, about the last 15 years of the Russian economy, 1997 to 2013, and gave examples of how the nominal GDP of Russia has grown 4 to 5 folds, as well as the household consumption rates. He also made the point that there is a difference in the behaviour of the economy and difference in how companies undertake business in 1990's to today, and added that Putin is lucky in terms of oil prices. According to Mr. Grozovski, to follow up on his point, this model of economic growth followed in Russia requires large capital investments and this economic model makes it difficult for new technology to be introduced and used in today's Russia. To continue, he identified a connection between the economic model and the current political regime in Russia, as he argued that the rent gained from oil and gas is being distributed to all the country, and therefore helping the regime to sustain itself. He also said that in the future, the developments in alternate energy will downsize the importance of oil and gas market and added that it will be important which group Russia will support.

**Nikolay Petrov** talked about the economic dimension of the political economy. His starting remarks pointed out that the regime dependant on rent redistribution as seen in Russia today cannot provide for democracy because there is not a way for democratic control. He added that it is Kremlin that provides therefore it is Kremlin that controls the population. From a different view,

Mr. Petrov said that real federalism is also not possible in this context because the money are not distributed to all the states but only to a selected few. To continue, Mr. Petrov identified the political regime in Russia today as Putin's oligarchic system in which the important players are economic merits rather than the political ones. Accordingly, Mr. Petrov introduced three basic models by which organization of Putin's elites could be understood. First of them was Model of Kremlin Towers by which the existence of different groups with different but conflictual interests within Kremlin can be explained. He added that this model takes into account the connections of St. Petersburg to Kremlin but also stated that this model was outdated as it did not explain the contemporary dynamics of Kremlin.

The second model put forward was Model of Putin's Politburo, which according to Mr. Petrov is unlike the Soviet model because important decision makers are never gathered in one room but dealt with on bilateral basis by Putin himself. Mr. Petrov also added that the decision making process took too long in this model because when a decision was made, Putin communicated this decision to all the players one by one and if an actor did not agree, the process started all over again.

The third model Mr. Petrov gave was the Planet System in which Putin acts as the sun and all the actors orbit around him. According to this model, the closer a player is to the sun, the more important this player is. Mr. Petrov, then, went on to explain three closest circles of elites around Putin, as the first orbit subsisted of his partners who can reach Putin at any given time to offer him business and political deals. As presented by Mr. Petrov, this circle consists of the most important business players. The second orbit consists of Putin's junior partners who are also important and trusted. Contrary to the first orbit these junior partners cannot reach Putin but Putin approaches them for possible deals. The third orbit, as Mr. Petrov portrayed, are loyal servants, who are trusted and who are also the most dangerous. The presenter added that people in this orbit do not have an actual say in any process but rather abide by it.

Mr. Petrov continued his presentation by talking about a fourth system which takes into account the elements of the three systems explained earlier, called Russia Incorporated. In this model, as Mr. Petrov emphasized, Russia is a huge company with a board of directors in which Putin is both the Chair of the Board and the CEO of the company, and has the control. Mr. Petrov added that, Putin does not use his power to push through deals where the important stakeholders are unhappy. The board of directors consist of the richest and the most influential players of Russia such as energy company or media company owners such as Yury Kovalchuk and Vladimir Yakunin.

Mr. Petrov added in his presentation that the benefits of these important players are taken into account when a decision is made and these stakeholders cannot be fired from the board. Mr. Petrov's lastly made the point that politics and economy cannot be separated from each other in this context, and only by controlling big corporations one can be safe in Russia, both economically and politically

**Natalia Zubarevich** said that her presentation will be about the sanctions on Russia and Russia's shift to the East. Professor Zubarevich, first, stated that the economic system in Russia is unstable and irrational for which she gave the example of shares of different regions in Russia's foreign trade and referred back to her PowerPoint presentation. Professor Zubarevich pointed out that 60% of the federal budget of Russia consists of revenue from oil and gas and therefore stated that the sectoral sanctions are very dangerous for Russia but as well for EU itself, and summarized it as a zero-sum game. Ms. Zubarevich continued her presentation by explaining that situation in Russia have been worsening since before the events in Ukraine and gave the lack of industrial growth in Russia as an example, as well as the deficiency of investments in Russia due to lack of incentives and business activities. Professor Zubarevich gave the statistics that 60% of Russian regions have reduced numbers of investments and eventually added that economic growth in the long run in Russia cannot be achieved or sustained with state controlled economy. Additionally, Professor Zubarevich stated that the existing investments focus not on infrastructure but on oil and gas industry, in other words, in highly profitable businesses. In line with what is presented, Ms. Zubarevich stated that in the future of Russia, the number of pensioners and workers in public sector who will receive additional rent will shrink because of these deficiencies. She also talked about the issue of poverty and income inequality in Russia, as well as the fact that the federal budget of Russia is not able to keep up with the redistribution of the budget to the public. In relation with these, Professor Zubarevich talked about the growth in tension in local stakeholders and the uncertainty of the future of jobs and of public sector. She continued her presentation by talking about the rising deficit and regional expenditure and connected the issue to a rise in mistakes in governing. She also added that authorities have to deal with these issues at hand in the next 5 years in order to satisfactorily solve it. By the end of her presentation, Professor Zubarevich talked about the Crimea, the problems facing Russia as she emphasized on such as water supply, lack of infrastructure, logistic problems, poor budget revelation and shadow economy in front and portrayed them as the immediate problems in need of a quick but satisfying solution.

**Martin Janičko**, started off by explaining the title of his presentation 'Russia on feet on clay', which captures Russia's situation in the current political stage. To continue, Mr. Janičko pointed out the importance of Russia in the world market as it makes for 3.25% of the world' GDP. In addition

to this, he also pointed out that Russia is an emerging market with great potential, and mentioned that it outperforms other similar markets. On the contrary, Mr. Janíčko identified the problems Russia has such as lack of economic diversification as 50% of the Russian federal budget is made up by oil and gas market. Secondly, the problem Mr. Janíčko identified was the lack of utilizing its capacity as it does not fully use every asset at hand. To follow up, he put forward the estimations for growth in Russia as 0.7% for 2014 and 1.5% for 2015. In accordance with this, in order to explain the slow growth rate in 2014, Mr. Janíčko pointed out the current sanctions but also the fear of new sanctions. In addition to this, he referred to the high inflation rates in Russia and the fact that it is expected to decrease in the future. In relation with these, he adverted to the stable unemployment rates in Russia, high nominal interest rates and compared Russia's dependence on oil to that of other rentier states. Eventually, he connected the information in his presentation to the immediate problems Russia is facing such as large capital outflow in the first half of 2014 connected to current sanctions and the fear of new sanctions, lack of competitiveness in Russian market and the depreciation in Russian ruble. Passing on from this, Mr. Janíčko also identified the long term problems of Russia such as low capital collaboration, poor research and development expenditure, failing demographics and the hardship of shifting from a sector to another. As a solution to these problems, Mr. Janíčko suggested to promote development in health, civil and family policies.

The next speaker, **Karel Svoboda** started by stating that his presentation will be about Russia-China gas deal, and whether China is the right place for Russia to diversify. He followed up on this with the answer that China is the right place for Russia but not on these current terms. He identified the deal made between these two states as a political deal. In addition to this, Mr. Svoboda made the distinction between open and hidden sanctions, and stated that the sanctions at hand are open sanctions as can be seen from Russia's decreased share in the EU gas market. Going back to the deal signed, Mr. Svoboda stated that the agreement is worth 400 bn US dollars including a pipeline to be built for an estimated 55 bn US dollars and mentioned the possible low per gallon price given to China to make his point that the deal is political. Moreover, Mr. Svoboda articulated that Gazprom's profit is covered by the expenditure of the state which goes on to prove the political incentive behind this deal. As he mentioned, the terms the deal was made on were not favourable to Russia, Mr. Svoboda mentioned, according this deal, that Russia will be selling gas to China almost 150\$ per gallon less than they do to Japan. In addition to this, Mr. Svoboda pointed out that Chinese eventually make states buy their own goods, give them credit with low interests therefore meeting them on their own terms, which could be seen as problematic for Russia.

In conclusion, Mr. Svoboda stated that the deal was made due to current sanctions and the fear of future sanctions on the stance and economy of Russia.

**Michael Romancov** thanked all the speakers and also added that there was not enough time for a discussion therefore ended the panel.