

ILLUSTRATION BY BINAY SINHA



The Tsar in winter

Putin's Russia has a bleak economic and political future, with no sign of an Arab-style Spring yet, says Deepak Lal

My wife and I were in Moscow in early April. With temperatures of -5°C , there was no sign of spring. This continuing winter freeze reflected the mood of most of the participants at the annual international academic conference organised by the Higher School of Economics, which I had come to attend. With Putin set to rule for another 12 years, what are Russia's prospects?

Though high oil prices have shored up Russia's fiscal and current account balances at this time, and allowed GDP growth to pick up to about five per cent in the last quarter, the economic development minister, Elvira Nabiullina, warned of a quick drop to two to three per cent if Russia continues to be a resource-dependent economy, with unreformed institutions and a hostile business climate. And the deputy chairman of Russia's central bank, Alexei Ulyukayev, saw inflation accelerating from the current 3.7 per cent to five to six per cent by the end of the year.

Even this downgrading of Russia's short- to medium-term prospects was seen as too rosy by former finance minister Alexei Kudrin, who argued that the sovereign wealth fund he had set up to channel Russian resource rents was being raided for various populist handouts to counter dissent — and if oil and gas prices fell, Russia would not be able to manage the resultant fiscal and balance of payments crises. There was a consensus that, unless Russia weaned itself off its natural resource-led, statist growth model, its future prospects looked bleak.

This is underlined by the growing emigration of Russia's skilled youth and increased capital flight (private sector net capital outflows in the first three months of 2012 were \$35 billion compared to \$20 billion in first quarter of 2011). The dismal condition of Russian business was underlined in a remarkable paper by a brave lawyer, Vladimir Radchenko, (the first deputy chairman of the supreme court, 1989-2008). He claimed that the Soviet mode of justice still continues. There are three million small- and medium-scale business entrepreneurs in jail for economic crimes. He contrasted this with conditions during the 1920s' New Economic Policy when the share of output from small and medium enterprises in GDP was about the same as today — however, at the time, not only were there few listed economic crimes, but the punishment for them was a fine, not imprisonment. By contrast, today, ordinary profit-making has been criminalised. This lack of the rule of law has led Russian oligarchs to register their companies abroad, fight their legal battles in London, and move their assets and families to the West.

Meanwhile, the Russian Orthodox Church has resumed its promotion of Caesaropapism ("render unto Caesar not only what is Caesar's but also God's"). This deviant Christian doctrine had prompted Vladimir, the ruler of the Kievan state (the precursor of the Russian empire), to choose the Greek over the Latin Church. This doctrine has underwritten the autocratic Russian state ever since.

Not only did the Moscow Patriarch urge his flock to vote for Putin, calling his rule a "miracle of God", but he was caught in a photoshopping scandal when he tried to doctor a published photograph showing him wearing a \$30,000 Breguet watch, purportedly a gift from Putin.

What then of civil society and the middle-class protests after the Duma elections which rattled Putin? They are part of a 200-year-old tradition when Russia's intellectuals and literary figures come out of their cafes and salons onto the streets to fight an oppressive state apparatus, and then at the first whiff of grapeshot rush back. The anti-Putin protests followed the same pattern. Then why have they rattled the President-elect?

In a recent biography, Masha Gessen (*The Man Without a Face: The Unlikely Rise of Vladimir Putin*, Granta) delves into whatever is known about Putin's past and his motives. She describes him as growing up in a shabby flat, fierce and vengeful in street fights and dreaming to join the KGB. Having returned home 10 years after his dream was fulfilled, he unexpectedly found himself the *de facto* Tsar of Russia. He used the art of secrecy learnt from his time in the KGB to control personal information and create his own myth. Putin, argues Gessen, wants to "turn the country into a supersize model of the KGB, where there can be no room for dissent or even independent actors".

In a remarkable article in *The Moscow Times* (April 4), Yulia Latynina, a radio talk-show host, reports on Putin's plan to create a 400,000-strong personal National Guard; an institution adopted by dictators in West Asia and South America, where a working-class man's best option was to join the Presidential Praetorian guard, unconnected to the army or the police: the Haitian President "Papa Doc" Duvalier's infamous Tonton Macoutes being the most sinister example.

Putin wants his Praetorian Guard, as the siloviki — who were supposed to break up anti-government demonstrations in return for the freedom to extort, steal and kill — turned out to be unreliable, only turning out on the street with pay rises. Russia's Federal Security Service, FSB, is more interested in its lucrative side businesses than the thankless task of dealing with street protests. On the other hand, the inefficient army, starved of resources because of Putin's fear of a *putsch*, is incapable of guarding Putin from the mob. The Nashi youth groups from depressed towns around Moscow, bussed in for pro-government demonstrations and to break up those against the government, turned out to be more interested in drinking and partying at the government's expense. Hence a National Guard of young men without any chance of a career in the stagnant economy. It will protect the ruling elite from public anger at its siphoning off of the country's petrodollars abroad and curtailing freedom.

Clearly, Russia will have to wait for its Spring.