



Will Putin's Aggressive Election Drive Hamper Ties with the United States?

Anders Åslund assesses the implications of the Russian leader's campaign against Russian oligarchs and his new virulent anti-American propaganda.

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Steve Weisman: Anders Åslund of the Peterson Institute for International Economics has been following the political upheaval in Russia and the demonstrations against Prime Minister Putin's bid to return to the presidency. This is Steve Weisman. Anders, what are the prospects in the election in March for a victory by Mr. Putin and for public acceptance if he should win?

Anders Åslund: We don't quite know what to think of his opinion polls, since they are officially controlled by the officials. They show that Prime Minister Putin will win a big majority in the first round. But regardless of what happens, President Putin will have much less legitimacy than he has had previously. Here comes a man, back after having been 12 years in power, and with essentially nothing new to offer. So he has not really presented any new program. The best he has offered has been what he did during his first years in power, to judge from his publicized articles.

But this is not really credible. Why didn't he do it in 2000 to 2002? And it's not likely that he will do it this time around. At the same time, there is a lot of crude propaganda in the more popular television channels. So he's pursuing a campaign on several lines: crude populist propaganda on television, a sophisticated liberal campaign in the newspapers, and then really crude, raw propaganda on the Internet, unknown from where.

Steve Weisman: Let's talk about this populism as it translates into Russia. You've noted that Mr. Putin is reconsidering the privatizations. What does that translate into, and what would be the economic consequences?

Anders Åslund: He had talked about it and he did it to the Russian Union of Industrialists and Entrepreneurs at their Congress as a big threat, but he did not specify in any way how he would like to make them pay up. We've seen this once before. It was after the Orange Revolution in Ukraine. It totally disrupted that government, so that everybody just discussed for half a year what should be done about re-privatization, as they called it in Ukraine. But in the end, only one enterprise was re-privatized.

Steve Weisman: You and others have used that term, "re-privatized." Wouldn't we understand that to mean "nationalize"—in other words, the state taking over ownership of these companies or confiscating revenues?

Anders Åslund: What Putin really suggested was a windfall tax. But the difference between what the oligarchs paid for their enterprises and what they're really worth should be taxed to some extent. He didn't say whom it would apply to, what rate it would be, and how it would be done.

Steve Weisman: The oligarchs have always been allies of Putin. Is going after them phony or real?

Anders Åslund: You can say that Putin had a deal with the oligarchs from early on, saying that, “You stay out of the politics, and I stay out of your property.” Putin’s line is that Mikhail Khodorkovski broke that deal. Therefore, he ended up in prison and had his property confiscated, but this is not quite true. There are many oligarchs [who] got their properties confiscated and have fled the country, although they have stayed out of politics. The basic point is that the rule of law and property rights are not very strong in Russia. But this open threat from Putin is quite worrisome.

Steve Weisman: Worrisome to whom?

Anders Åslund: What we saw in Ukraine was that GDP fell from double-digits before the Orange Revolution to negative in the course of a little bit more than half a year. When you get a discussion about who is really allowed to own something, then you have a lot of other oligarchs, who think that they have more rights to these properties and want to take over the companies, and that is very destabilizing. So this is very dangerous to play with.

Steve Weisman: Putin is also stoking the flames of nationalism, taking the form of anti-American rhetoric and blaming the United States and [Secretary of State] Hillary Clinton for the anti-government demonstrations. Is that affecting U.S.-Russian relations?

Anders Åslund: We should specify here, it’s not so much nationalism as straight-forward anti-Americanism. When you talk to people who know Putin and you ask them, “Is he really that dumb that he thinks that the U.S. is trying to do all these things against you?” They say, “Putin has a profound paranoia, which is typical of an old KGB officer, always thinking that there is a conspiracy against him.”

What people tell you that is that Putin really believes in this. And of course he thinks that it’s good election propaganda at the same time. So he has let loose the most anti-American public personalities you can find in Russia and have them attacking the United States fully. And the United States, to my mind rightly, is pretty much ignoring this. They’re treating Putin as if he’s not quite grown up, which this propaganda suggests.

But of course, this will have effects. A person who behaves like this cannot be taken seriously, and I think that we should go back and simply notice that Putin left in 2008, and several months after he had left, that was the low point of U.S.-Russia relationship. Then President [Dmitry] Medvedev took over, and Russian foreign policy improved all along. And now Putin is back. What do we see? Old Russian foreign policies floundering in old Soviet prejudices. So I think that this is quite serious.

Steve Weisman: Does it jeopardize passage of the US granting permanent normal trade relations [PNTR] with Russia, which many here at the Institute have advocated, when it comes up for a vote in Congress?

Anders Åslund: We may notice that the Senate Finance Committee has not announced when they will have hearings on permanent normal trade relations with Russia yet, and that is one effect in itself. I hope that it won’t have too much consequence because PNTR is really in the interest of the U.S. economy. It would be entirely detrimental to the United States if it were not adopted. But of course, if Putin will continue with a massive anti-American propaganda, it will be very difficult to do anything positive about Russia on Capitol Hill.

Steve Weisman: Thank you, Anders.

