



Russia's New Cabinet Could Bring Economic Reform

Anders Åslund says President Putin will continue a hard line on foreign policy, but his team of technocrats is notable for the absence of KGB operatives and others with a reputation for corruption.

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Steve Weisman: In Russia, a new Cabinet has been announced, and the question arises whether the selections will push economic reforms forward. This is Steve Weisman at the Peterson Institute for International Economics with Anders Åslund. Anders, what was significant about the announcement by President Putin and Prime Minister Medvedev on the Cabinet?

Anders Åslund: First of all, this is a huge change in the Cabinet. No less than 20 out of 28 ministers are new on their posts and new to the Cabinet altogether. And then, the structure of the government has changed substantially. I can't identify one single KGB officer in the Cabinet. And at least half a dozen ministers who were well-known for massive corruption have now disappeared from the government; most notably, the people in charge of energy and health care, who were considered to be Putin's cronies, have now disappeared. Not to forget, the Minister of the Interior.

Steve Weisman: What's your understanding of how this happened? Were they listening to the protests? What does it mean for economic reforms?

Anders Åslund: My suspicion is that Putin will operate like this: that he will be as militant as he likes in foreign policy, that he will fight on the domestic politics, and that he will give in on economic policy. But I would guess from the set up that we will see reform in health care, education, and energy policy.

Steve Weisman: For example?

Anders Åslund: I think there will be more taxation of Gazprom, and that Gazprom's huge monopoly rights will be reduced. In education, there we will see more independence of universities and school districts, and that financing will follow the students to greater extent. Similarly in health care, I think that we will see more efficiency and more efficacy, and I do think there will be less corruption in the set up.

Steve Weisman: Were they responding to protests?

Anders Åslund: I think that there is a sense, generally, in the Russian establishment that Russia can't delay its modernization any longer. For the last eight years, we have really not seen any reforms. So my sense is that President Putin is returning to the first three years of his tenure as President when he actually did substantial structural reforms.

Steve Weisman: But on security and political issues, he's going to continue his nationalist line, which could jeopardize cooperation with the United States?

Anders Åslund: Yes, I think this is a big point that he did not come to the G8 meeting. He turned down an invitation from President Obama to the Oval Office. I think that the US will be very low on the Putin agenda for years to come.

Steve Weisman: What could be in jeopardy: cooperation on Afghanistan or on missile defense?

Anders Åslund: Certainly on missile defense. I do think that Russia has a big interest of own of the US and the allies fighting in Afghanistan, so I don't think that that should be in immediate danger.

Steve Weisman: In other words, the Russians are happy to see the US ground down there?

Anders Åslund: Yes, I think this is what we have seen for the last two years or so, that Russia has changed its attitude to the United States in Afghanistan. The US there is no longer a threat, but it's a useful counterbalance.

Steve Weisman: Are these changes finally going to have any influence in the Congress as it considers its decision on whether to grant elevated trade status to Russia?

Anders Åslund: Well, I think it might have. People increasingly understand that permanent normal trade relations with Russia -- that's primarily a US commercial interest.

Steve Weisman: You haven't heard a lot of rhetoric on this in the Congress and the Administration recently. What are the prospects for approving the PNTR?

Anders Åslund: I think that it is increasing very much because the U.S.-Russia Business Council is pursuing a very intense campaign about it, and we are seeing both that Senator Baucus and Representative Dave Camp are raising this topic increasingly.

Steve Weisman: Anders Åslund, thank you very much.

