



Turmoil at Gazprom: Is Its Demise Imminent? Part II

Anders Åslund says the collapse of profit potential at Gazprom appears to be shaking the administration of President Putin, forcing him to deal with charges of corruption.

Transcript of interview recorded October 10, 2012. © Peterson Institute for International Economics.

Steve Weisman: This is Steve Weisman with Anders Åslund at the Peterson Institute for International Economics talking about the enormous problems facing Gazprom, the big natural gas monopoly in Russia. Anders, you've just told us that Gazprom's problems are so dire, we might even see the company's demise. This has implications in politics, especially for the power of President Vladimir Putin. Please explain.

Anders Åslund: The big thing is that Gazprom has been, for years, the big slush fund in Russian politics. Investment analysts suspect about \$40 billion dollars was wasted in Gazprom last year or stolen, and this is very much a major source of corruption. And this is controlled by various means by the Kremlin and various personal favors or for political reasons.

Without Gazprom, the Kremlin doesn't have the same leeway in politics. It's not for the tax revenues only. Oil is more important for tax revenue, but it is for the discretionary political and personal expenditures of the Kremlin that Gazprom is buying.

Steve Weisman: Do you have examples?

Anders Åslund: Last year, Gazprom planned literally \$27 billion dollars of capital investment. In the end, it became \$52 billion dollars, because Gazprom simply spends as capital investment any extra money it gets. So, it was an increase of \$25 billion dollars. This, you can say is straightforward money out through the door to suitable people.

Steve Weisman: Do we know where it goes?

Anders Åslund: Technically, we don't. It's quite well known among investment people; often the kickback is for various people. Gazprom last year has \$52 billion capital expenditure. It's considered that 70 percent of it is kickback. So here you have \$36 billion that is taken out of the company and that is when taken through essentially two companies that are owned by cronies to Putin.

Steve Weisman: You wrote about this in the Financial Times and elsewhere. Do you think the Russians or even Putin are aware of this problem that's facing them with the evaporation of the slush fund?

Anders Åslund: The strange thing is that Putin himself the other day stood up and talked about it on the 3rd of October. He said, "We get more and more reproaches about how Gazprom conducts business and allegations of corruption. There probably is corruption there. But in this case, it is the police's job to catch those responsible, and put them in prison." So, Putin is now quite sensibly saying these accusations are so serious, I have to handle them. There is an

excellent booklet that has been downloaded in more than one and a half million copies on Putin and Gazprom, describing the corruption that goes on there.

Steve Weisman: What book?

Anders Åslund: It's written by the opposition politicians, Boris Nemtsov and Vladimir Milov. It's available both in English and Russian on the web and it has been there for the last two years. And there you can see also how Gazprom sells off its media assets and its bank and its insurance company and its pension fund, mainly to Bank Rossiya, which is a company close to Putin's circle, for very low prices, which Milov and Nemtsov claim are far below prices and they showed the evidence for it.

Steve Weisman: Well, if Putin is calling for an investigation, you can be sure that it's not going to investigate him, can't you?

Anders Åslund: Yes, I feel, sure in this regard.

Steve Weisman: But Putin remains pretty popular in Russia, doesn't he?

Anders Åslund: Yes, but you have this old observation that Russia consists of two parties, the Internet party and the television party. Putin is the head of the television party in like 60 percent of the population.

Steve Weisman: You mean the people who watch television and get their news from television versus the people who get their news from the Internet?

Anders Åslund: Yes. The internet is free. Television is closely controlled and therefore these two groups, a bit like Democrats and Republicans in the United States have totally different world views, depending on whether they watch Fox or whether they watch MSNBC. Only better, [because the] contrast is all the bigger in Russia. The question is for how long the television party will prevail in Russia. It's shrinking all the time and according to the independent ratings now, Putin's popularity has now sunk below 50 percent.

Steve Weisman: When did that happen?

Anders Åslund: It's recent.

Steve Weisman: Thank you, Anders.

