

Vladimir the fourth goes forth

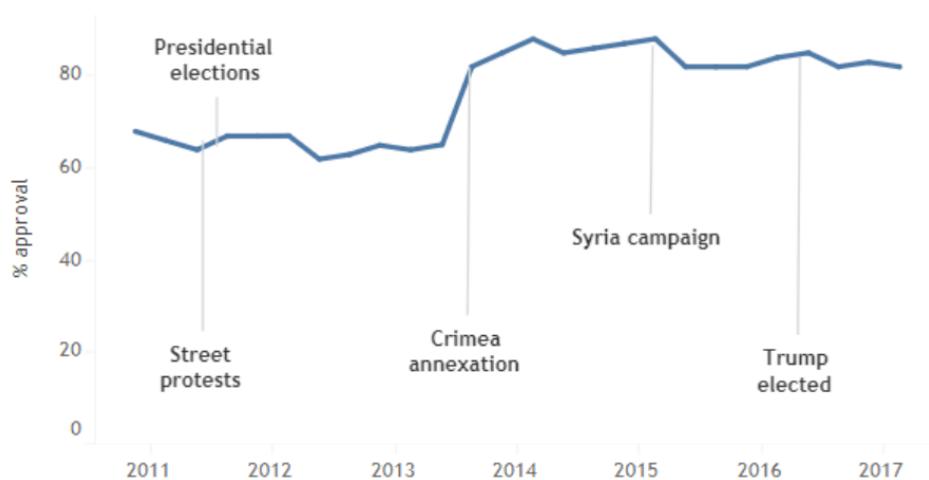
Blog post by Practice Lead Alexander Smotrov, 8 December 2017

Vladimir Putin’s announcement to run for his fourth, and probably final, presidential term is no surprise. Thus far, all the polls indicate he will romp home on 18 March next year. Indeed, polling day has been moved to mark the anniversary of the Russian annexation of Crimea to reinforce the significance of Putin’s proudest achievement in his third term in office.

For an election where the result is hardly in doubt, what are the lessons that international observers should be drawing from the campaign?

The siege mentality of his third term, particularly in response to international criticism, will be at the fore during the campaign. The news of the IOC’s decision to ban Russian athletes from competing under the Russian flag at the 2018 Winter Olympics was reflected in Putin’s declaration this week: “Russia will move only forward, and no one would stop it”.

Putin’s approval is still high but losing some of its post-Crimea and post-Syria momentum



Source: Levada Centre

Putin has effectively leveraged friction with the international community in recent years to boost his popularity at home. He will be presented with two new opportunities in the run-up to polling day. First, the growing pressure to drag the FIFA World Cup, scheduled for next summer, into the Olympics doping row. The sports minister, who the IOC have sought to throw the book at, is also heading up the organising committee of the World Cup. This is something which Russia’s Western critics have already cottoned on to. Second, the next wave of US sanctions, which are scheduled to be implemented in January and which will specifically target influential business leaders deemed to have a close relationship with Putin.

The latter is more material to Russia's long-term prosperity than the former. This week in London, Russia's Deputy Prime Minister Arkady Dvorkovich indicated to investors and analysts that the real issue the government is worried about is whether the European Union supports new US sanctions and whether they affect European businesses dealing with Russia, because this would be a game changer for the markets and for investors.

On the domestic front, the election will be fought against the backdrop of political and economic stability. However, disposable incomes and savings have shrunk amid a weak rouble and low consumer confidence, with the middle class worst affected. Yet, one should not expect any significant moves in the run-up to the elections which may provoke a backlash against the state. The government already tries desperately to avoid any policy changes - be it taxation or liberalisation of gas exports - which could create a short-term trough in budget revenues, even if a projected increase in the medium and long-term is higher.

The biggest remaining unknown of Putin's next six-year term in office is whether he is going to use it as a 'window of opportunity' for structural, political and economic reforms that will create a genuine post-Soviet economy whilst establishing a clear path to a smooth succession. The reforms have been long advocated by prominent liberal economists - Alexei Kudrin and Herman Gref - whom Putin still listens to. Central to their argument is a revolution in technology which could double the otherwise weak projected GDP growth of 1.5-2% in the next decade. Digital evangelists note that a lack of legacy businesses (thanks to the shortcomings of the Soviet Union) means that Russian consumers have embraced digital platforms at a speed which outpaces their Western neighbours. The challenge now is for policymakers and government-led services to catch up with the fast pace of the local digital economy.

Kremlin strategists remain wary about how public opinion may evolve during the election campaign. Thus far, they have met public demand for a harder line on domestic policy by prioritising anti-corruption and the rule of law. The campaign itself will be targeted at the new generation of voters, the youngest of whom were born after Putin took office. It is hoped that these new voters respond to a message of rejuvenation which is reflected in the new intake of younger government officials and regional bosses with lower personal political ambitions than their predecessors who will help the Kremlin to push for its priorities before and after the 2018 presidential elections. This generation of leaders is likely to play an important role in the post-Putin era, whenever that comes.