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## Russia's president Vladimir the victor

**The Russian president is firmly in charge, and he is not inclined to pursue any big political or economic reforms**

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VLADIMIR PUTIN seemed a fit and relaxed 60-year-old as he spoke to this year's meeting of the Valdai club of mostly foreign analysts and commentators over dinner at the Novo-Ogaryovo presidential villa outside Moscow on October 25th. He had the air of a man with few concerns either about his own position as president of Russia or about his country's future. Yet he has plenty of reasons to worry.



The president's most heated comments came in response to questions about the Pussy Riot verdicts that imposed two-year prison sentences on two young women who had allegedly desecrated an Orthodox cathedral altar in the spring. He was unapologetic. In typical earthy language he denounced the women for practising group sex, public sex with a woman who was nine months pregnant and for undermining social morals. In another familiar trope he accused the West of double standards, noting that the maker of a controversial anti-Muslim film was in jail in California (though Mr Putin did not explain that this was because he had broken the terms of his parole).

Mr Putin was reflecting the views of most Russian officials who spoke at this year's Valdai conference in St Petersburg and Moscow. They dismissed the opposition as elitist, unrepresentative and easy to deal with. One newly demonstrated method for doing this was the brazen kidnapping of an opposition figure, Leonid Razvozzhayev, in Kiev. Mr Putin also argued that Russia was merely applying its own laws, just as other countries do. His officials even claimed that the Russian police were softer than those dealing with protesters in the streets of Athens.

As for the economy, the overwhelming message from Mr Putin was that everything was going

well: "I am doing fine," he said, at one point. His response to suggestions that Russia needed substantial reforms was striking for its smugness (one of his advisers asked rhetorically "why do we need to change?"). Changes to courts, the judicial system and the bureaucracy were all on the way, Mr Putin claimed. He hailed a modest recent Russian advance in the World Bank's "Doing Business" rankings, from 120th to 112th place. And he insisted that lots was being done to attract foreign investors in such areas as high-tech and pharmaceuticals.

Economic indicators suggest that Mr Putin cannot boost social and military spending while sticking to the fiscal discipline that has served Russia well throughout his rule. Moreover, the Russian state continues to be a drag on the economy. Interestingly, Mr Putin expressed mixed feelings about the deal through which Rosneft, a state-controlled oil giant chaired by one of his former senior advisers, Igor Sechin, is taking over the TNK-BP joint oil venture. He regretted the fact that it seemed like a move in the direction of greater state control. Yet under his government the role of the state in the Russian economy has been increasing. And, although his prime minister, Dmitry Medvedev, insists that Russia is going ahead with its ambitious privatisation plans, they are unlikely to diminish the state's influence much.

That is bad news for the future of Russia. As oil and gas revenues, which still account for up to half of state income, are falling away in importance, the economy needs to be rebalanced towards new firms, small enterprises, services and manufacturing. But the deadweight of corruption, ill-protected property rights, taxation, bureaucratic obstructiveness and the absence of the rule of law make it all but impossible for such businesses to start up and grow. Those like Mr Putin who insist that all is well are ignoring the likelihood that, faced with such problems, potential investors will move to places with more hospitable and predictable business climates.

And that includes Russians as well as foreigners. The figures show a continuing trend of capital flight and emigration of skilled youths. Taxed on this, Mr Putin insisted that other countries were similarly affected and that this was just another by-product of globalisation.

Mr Putin yet again talked up Russia's improving demography, with higher birth rates and lower death rates. But one poll before the Valdai club showed that 68% of Russians on above-average incomes want their children to study abroad and 37% want their children to leave Russia for good.

These numbers are a harsh comment by Russia's middle classes on their country's future.



Mr Putin and his people seem to believe that stability and order are everything. They do not recognise how it can easily turn into the sort of stagnation that destroys enterprise. Despite much-publicised investments, small and medium-sized business accounts for only 20% of jobs in Russia. Too often small companies in Russia find their profits disappearing in taxes and corrupt payments. No wonder few people are willing to invest in Russia.

It does not help that, after almost 13 years at the top, Mr Putin lives in a bubble. Previous ministers such as Alexei Kudrin, a former finance minister, or German Gref, a former economics minister, who might have pressed the case for reform, are gone from the government. There are still reformers around Mr Medvedev, whose four-year presidency from 2008 to 2012 looks with hindsight increasingly like a stopgap in which Mr Putin retained all significant power. But there is already speculation about how long a weakened Mr Medvedev will stay. Right now, Mr Putin is certainly running the government—and there is no sign that he has any appetite for change.

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