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News Analysis: Vladimir Putin's 2012 Dilemma

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Putin is likely to facilitate the ascent of a third candidate if he feels that Medvedev is no longer willing or able to protect his interests in 2012-18, he suffers from fatigue, or a protracted econo **Igor Tabakov**

Both Prime Minister Vladimir Putin and President Dmitry Medvedev have repeatedly suggested that they may run in the 2012 presidential election.

But neither of them has announced an official bid, and they have put considerable effort into keeping everyone guessing. When questioned, Putin and Medvedev say they will consult with each other in order to decide who will seek the presidency.

But one thing is clear: Putin, Russia's most powerful politician, will have the decisive say in determining who will serve as president for the next six years.

Once his choice is made sometime this year, the ruling elite will close ranks and support the chosen candidate. The outcome of his informal choice will most likely be formalized in the

March election, thanks to Putin's popularity, the enormous capabilities of the ruling elite to implement their preferences, and the questionable fairness of Russia's recent elections.

Medvedev will most probably accept Putin's choice, even if it entails his departure from the Kremlin and Putin's return to the presidency.

If there is a deep crisis in 2011 that the ruling tandem cannot manage without risking their own political and business interests, they may have to back a third candidate.

Even without a serious crisis, Putin could back a third candidate if he loses confidence in Medvedev and simultaneously wishes to step aside himself because of fatigue.

There is also the possibility that disruptive events on the scale of the recent uprisings in the Arab world could erupt, leading to a change of power that neither Putin nor Medvedev would support. However, the probability of such a development is low.

That said, there are three likely scenarios for the election: Medvedev stays in power; Putin returns to power; or an as-yet unknown President X comes to power. These scenarios would have markedly different implications for domestic politics in Russia. However, a certain continuity across the scenarios can be assumed for the Kremlin's foreign policy.

Key Uncertainties

Putin's final decision on who will occupy the Kremlin for the next six years will be determined by key uncertainties that may take place over the next six months. Some of these uncertainties would lead to a serious change in the course of Russia's development.

Here are the main uncertainties:

Will Putin feel that Medvedev can cope and protect his interests for six years? Putin may decide to remove Medvedev for several reasons. For instance, he may feel that there is a chance that Medvedev may lose his grip on power during his second term due to foreign or domestic challenges. Or he may feel that Medvedev will not guarantee the protection of his allies' business interests during his second term. So far, Putin has not explicitly indicated publicly whether he will run, although there are signs that he would like to stay in power in some capacity beyond 2012.

Putin and the fatigue factor. Media reports and leaked U.S. diplomatic cables indicate that Putin's appetite for work is flagging and he might be suffering from fatigue. If that is true, he may already be exploring ways to withdraw from the government for good. But such an exit would mean that Putin would no longer be able to take over from Medvedev if Medvedev loses control or fails to protect Putin's interests during his second term. If wary of Medvedev's capability to protect his interests, a tired Putin may then choose someone he regards as a more able and loyal candidate for the 2012 election or at least install Medvedev in the prime minister's seat.

Will Medvedev feel it is time to rid himself of Putin's patronage? Medvedev may decide that he has a better vision for Russia and more energy to promote the country's development without Putin's patronage. In that case he could take steps to increase his chances in negotiations with

Putin on the 2012 election by shifting the balance between their bureaucratic power bases. For instance, Medvedev may use his constitutional powers to remove top officials and may start a broad campaign of replacing Putin's appointees in key government positions with his own loyalists.

A major terrorist attack or meltdown in the North Caucasus. Terrorism in the North Caucasus appears to be manageable, with Islamist militants capable of only hit-and-run operations in the region and occasional terrorist attacks in the rest of Russia. Nonetheless, it is possible that terrorists may initiate action that will lead to a meltdown. Insurgent and terrorist groups may manage to acquire and use weapons of mass destruction in a major city or in a series of coordinated attacks, including seizures of towns and hostage-takings, and trigger a massive, indiscriminate government response. This would result in a long-term destabilization of the region, with the re-emergence of rebel-controlled pockets in far-flung corners of the North Caucasus and frequent attacks against government targets in urban areas.

An escalation of ethnic riots. There could be simultaneous riots in major cities similar to those staged by ultranationalists in Moscow in December 2010, but resulting in double-digit casualties and generating a violent response by natives of the North Caucasus. Under such circumstances the authorities would use force to disperse rioters, initiating massive arrests and taking a tougher stance against public activism in general. This would create a backlash in which ultranationalists would be in conflict with North Caucasus natives in major cities, and both sides would resist any attempt by the government to subdue riots.

A protracted deep economic crisis coupled with low oil prices. In the short term, Russia will to some extent be affected by external factors that it can neither forecast nor control, such as energy prices on world markets. The price of oil is the uncertainty that the government is least able to control and that will have the greatest impact on the country. The economy remains very dependent on exports of natural resources, with other sectors lagging behind global market leaders in productivity and efficiency.

A new, protracted global economic crisis may hit Russia hard, forcing the government to spend all its reserves. The sovereign Reserve Fund contained 775.2 billion rubles ($25.5 billion) as of Jan. 1, down 57.6 percent from 1.8 trillion rubles ($59.6 billion) on Jan. 1, 2010, as the government drew from reserves to cover the budget deficit. The 2011 federal budget was calculated on a premise that the average price of oil would be $75 per barrel, and each additional dollar per barrel is estimated to result in another $2.14 billion for the federal budget and vice versa. But if the price of oil falls more than 50 percent and stays at that level due to a global crisis or other developments, the government will quickly deplete its reserves and be unable to honor its obligations to the population without raising taxes, which could cause protests.

An escalation of frozen conflicts in the former Soviet Union. This would have a profoundly destabilizing influence on Russia's neighborhood. A renewed armed conflict with Georgia over South Ossetia and Abkhazia would spread violence and instability into the North Caucasus. The ultimate defeat of Russia's foes in such a conflict could create a failed or failing state that would serve as a springboard for terrorist and insurgency networks.

A resumption and expansion of the Nagorno-Karabakh conflict may also require Russia's involvement since Russia has treaty obligations to come to Armenia's defense in a conflict.

Depending on how all these uncertain structural indicators play out and how they interact with other factors, three possible scenarios emerge for the March election.

Scenario 1: Medvedev Stays in Power

Medvedev is likely to remain in power for a second term while Putin will either remain a power broker for the entire second term or perhaps gradually exit from politics if these key uncertainties play out in the following way over the next six months:

- Putin feels Medvedev will cope and protect his interests in 2012-18.
- Putin increasingly suffers from fatigue.
- Medvedev does not feel it is time to shed Putin's patronage.
- None of the following occurs: a major terrorist attack or meltdown in the North Caucasus; an escalation of ethnic riots; a protracted deep economic crisis; or an escalation of frozen conflicts in the former Soviet Union.

Instability in North Africa and tensions over Iran's nuclear program, coupled with the continuing recovery of the global economy, keep oil prices hovering at $100 per barrel or above over the next six months. As a result, Russia's GDP continues to grow. Content with Medvedev's peacetime performance, Putin agrees that his protégé run for a second term. Medvedev wins the March vote in the first round.

After the election, Medvedev pursues essentially the same domestic policies as he did during his first term but more decisively in the sphere of economic liberalization and reduction of opportunities for corruption. He is more cautious and incremental with reforms that affect the interests of elites or provide for political liberalization. Each serious reform in these spheres is preceded by a public discussion, both in online forums and among experts. More important, each reform is cleared with Putin, at least in the first year of Medvedev's second term.

Government agencies continue to work to heed Medvedev's directive to seek modernization alliances with Western countries. Russia accedes to the World Trade Organization, while the U.S. Congress repeals the Jackson-Vanik Amendment to the 1974 Trade Act. Russia and the United States also reach a compromise on missile defense and agree to cooperate to keep Afghanistan stable as NATO draws down forces in this country.

At an EU-Russia summit in 2012, Brussels and Moscow agree on a deadline for introducing a visa-free regime and on the further investment of European companies in the upstream assets of Russia's energy and high-technology sectors.

Russia advances its agenda through post-Soviet integration organizations while maintaining its grip on a smaller but still substantial part of the export routes, but it achieves no qualitative breakthroughs. The relationship with Belarus remains ambiguous, with no integration breakthroughs and occasional conflicts over the price of Russian energy supply and transit. Abkhazia, South Ossetia and Nagorno-Karabakh continue to remain de-facto independent, while Moldova's conflict with Transdnestr progresses toward resolution thanks

to the joint efforts in 2012 of Russia, Ukraine and powerful EU members such as Germany.

Russia continues to oppose "crippling sanctions" on Iran but prods Tehran to cooperate with the international monitors and allow more transparency regarding its nuclear program.

Scenario 2: Putin Returns to Power

The probability of Putin's return to power will increase substantially if any of the following key events occur before Medvedev's first term expires:

- Putin comes to believe that Medvedev will fail to either cope with challenges or protect his interests in 2012-18.
- A major terrorist attack or meltdown in the North Caucasus materializes.
- Ethnic riots escalate.
- Frozen conflicts in the former Soviet Union escalate.

Should any of these events — or a combination of them — occur this year or in the first weeks of 2012, Putin will replace Medvedev in the Kremlin to ensure political stability and solidify his own policies.

After waning during Medvedev's term of office, the concept of sovereign democracy will stage a triumphant return as the core of Russia's national ideology. For opposition groups, it means a further stifling of their legal activities as the government increases control over NGOs under the pretence of fighting terrorism and extremism. The State Duma passes a new set of laws further curtailing civil liberties and media freedoms.

The influence of the siloviki escalates, but Putin does not allow any particular group in the clan to dominate.

Trying to offset the impact that a more aggressive foreign policy might have had on international investors, Putin — understanding full well the need to diversify the economy — decides to liberalize foreign corporations' access to the Russian market. The attempts by Russian companies to acquire downstream energy transportation infrastructure continue to meet the tacit but formidable resistance of most European governments.

The favorable conditions offered by the Russian government attract quite a few major international companies, from energy giants to retail firms. While state champions continue to dominate in the so-called strategic industries — such as Gazprom and Rosneft in the energy sector and Russian Technologies in the defense industry sector — private companies, both Russian and international, thrive in the retail, construction, agriculture, food, entertainment and automobile sectors.

A new war of words flares up between Moscow and Washington and Brussels over ballistic missile defense deployment in Europe. However, pragmatic approaches on both sides help gradually relieve tensions as Washington and Moscow converge on the perception that their common immediate security threat is posed not by each other but by a new wave of militant Islamism, which galvanizes North Caucasus religious extremists and creates new risks for the United States and NATO personnel deployed abroad.

Russia increases its involvement in Belarus, progressing toward incorporating the country by solidifying its control over the economy of its neighbor. Belarussian President Alexander Lukashenko lacks alternatives due to his increasing isolation from the West.

Moscow also increases its presence in Central Asia as the growth of religious extremism there prompts regional leaders to seek a strong and unscrupulous ally in the fight against Muslim radicals. Although Chinese influence on the economy of these states increases, it is Russia that remains the center of gravity for the Central Asian republics. The strong authoritarian political model that is being rebuilt by Putin is increasingly appealing to the Central Asian leaders. Putin also continues to anchor these and other former Soviet republics to Moscow through integration projects such as the Collective Security Treaty Organization, the Eurasian Economic Community and the Commonwealth of Independent States.

Having cooled Russia's engagement with the West, Putin pursues a closer alignment with China, further increasing energy exports to this country. Overall, however, Putin remains wary of China's growing influence.

Cooperation with the West in curbing Iran's nuclear ambitions stalls as Tehran awards and Moscow accepts new multibillion-dollar contracts to build nuclear power plants and deliver machinery.

Russia remains out of the WTO. Moscow preserves its membership of the Group of Eight industrial countries, although it may be left out of negotiations on some key decisions. Russia responds by accusing international organizations of attempting to undermine its sovereignty.

Scenario 3: President X

Putin is likely to facilitate the ascent of a third candidate if he feels that Medvedev is no longer willing or able to protect his interests in 2012-18, he suffers from fatigue, or a protracted economic crisis or ethnic riots occur.

A protracted global crisis erupts, spurred by a domino effect on the world economy — a combination of colossal earthquakes in Japan and California and the bankruptcy of several international investment powerhouses. Oil prices drop to $50 per barrel and remain at that level until at least early 2012.

In late fall 2011, Putin and Medvedev conclude that on the current trajectory the government will run out of cash reserves sometime in 2012, making public authorities unable to honor their social obligations. Both realize that this will give rise to protests that may undermine political stability and affect positions held by the ruling tandem and Putin's business allies.

Putin sees no major problem in arranging his own election in 2012. But he does not want to bear responsibility for all the country's pending troubles because this would bring an end to his prestige as the national leader and, consequently, to his status of powerbroker between the ruling clans.

To make things worse, North Caucasus-based groups stage simultaneous terrorist acts in Moscow and other major cities, killing dozens of people. Ultranationalists exploit these attacks, perhaps by rallying support for marches planned for the National Unity Day holiday

on Nov. 4, 2011. Riots break out not only in Moscow, but also in St. Petersburg and other large cities. Ultranationalists attack dark-skinned natives of the North Caucasus and foreign countries.

After some serious reflection as well as pressure from Putin, Medvedev announces that he will not run for re-election in March. By then, Putin has already picked a candidate — 40-year old Colonel X, commander of a unit of the Interior Troops who has been decorated with a Hero of Russia medal for his distinguished combat service in the North Caucasus.

Shortly after United Russia's victory in the December elections, Putin and Medvedev jointly announce that neither of them will run but will instead back X as their candidate in 2012. X is elected president in the first round in March. Medvedev quits politics, while Putin remains the prime minister and leader of United Russia.

President X, like Putin, believes in a strong central government, in the dominance of the executive branch of government and in other features of a managed democracy. He acts to increase the federal government's control over civil society, the mass media and other non-state actors. Nationalism with strong ethnic overtones — disguised as patriotism — plays a central role in the state ideology and is used to win the support of nationalists as well as to mobilize and solidify society.

Faced with the budget crunch, in mid-2012 the new president announces a sharp increase in both real estate and income taxes.

He cuts education and health budgets while leaving pensions and other social benefit payments intact. The police crack down on those who attempt to protest against these measures. X's general response is to stifle opposition and intimidate independent political and social entities in order to prevent them from organizing scattered public protests into a nationwide movement.

President X pursues projects that would help anchor post-Soviet states to Moscow. He treats Russia's near neighborhood as a zone for zero-sum games with the West that Moscow must win to advance its interests, such as the formation of friendly regimes along its borders and control of energy export routes from the former Soviet area.

Russia supports independence for Abkhazia and South Ossetia but cooperates with the EU on the settlement of Moldova's conflict with Transdnestr.

President X also pursues closer cooperation with other countries that oppose the spread of Western influence in the post-Soviet neighborhood, such as Iran and China, seeking direct investments from China and arms sales to both. At the same time Moscow remains wary about the rise of China.

The president also adopts a harder stance on such issues as U.S. and NATO plans to deploy missile defense elements in Eastern Europe and refuses to revive the Treaty on Conventional Armed Forces in Europe. As the United States and NATO move forward with plans for missile shield installations in Europe, the president orders deployment of medium-range missiles in the Kaliningrad exclave. In relations with individual Western countries, the president seeks closer ties with EU members rather than NATO or the United States. Russia sees the EU as

a much more benign actor but continues to play individual members off against one another.

While lambasting the West in addresses to domestic audiences, President X avoids excessive confrontations. He is pragmatic: He realizes that the national interests of Russia and such major Western powers as the United States and the EU converge on a number of issues, including terrorism and the non-proliferation of weapons of mass destruction. He is also well aware that Russia could not afford a new Cold War. More important, X knows that Russia is facing a budget crunch and needs direct foreign investments and Western expertise in efficient production methods much more than it did when booming oil prices ensured a steady flow of revenues and low interest rates for borrowing cash abroad.

At the same time his willingness to cooperate with the West will remain inversely related to Russia's recovery from the crisis.

Other Scenarios

The recent changes of regime in countries in North Africa and the popular uprisings in the Middle East have led to discussions about whether Russia could see a scenario in which protesters demanding social justice and political freedoms topple the regime.

Like many countries in North Africa, Russia has problems with political freedoms, corruption and vulnerability to consumer price shocks as well as formidable Internet access, which can facilitate the organization of protests.

But all this is unlikely to lead to a revolution in Russia.

In the Arab countries, Islam was the unifying ideology for many of the protesters. Russia's Christian Orthodox Church, which is widely recognized as the legitimate authority on issues of religion, has long been aligned with the state authorities and will not support any political activism.

Popular unrest could succeed and spread to other parts of the country only if it is staged in Moscow. However, Moscow, unlike Cairo or Tunis, has an abundance of economic opportunities. The rate of unemployment is considerably below the national level.

Other social factors that facilitate revolt, such as a large number of young people and relative poverty, hardly apply to Moscow. The average age of Moscow residents is 40 — one of the highest of the Russian regions — and the average Moscow family owns property worth hundreds of thousands of dollars. Moscow also has one of the highest gross regional products per capita, about $30,000. In addition, Moscow's law enforcement agencies have the resources to suppress any protests.

Still, should developments take this course, the situation would probably evolve along the lines of the third-candidate scenario, especially in the latter stages.

It is even less likely that Putin and Medvedev will run against each other in the 2012 election, even though Putin did declare in April that he could not rule out that both he and Medvedev would run for president. Putin's statement appears to be another attempt by the prime minister to maintain a shroud of secrecy over which one of the ruling tandem might run

rather than revealing a real intention.

For his part, Medvedev reiterated at a May news conference that he rules out a situation in which he would run against Putin. Medvedev realizes that he would most likely lose to Putin and that he could face a coup if he doesn't concede defeat.

Such a scenario would also be damaging for their personal political images and, more important, for Russia's whole power vertical system. It could lead to a schism within the Russian ruling elite and weaken the central government, which is dangerous for a country that emerged on the ruins of an empire only 20 years ago.

This article is an abridged version of a research paper published by Simon Saradzhyan, a research fellow at Harvard Kennedy School's Belfer Center and a former Moscow Times deputy editor, and Moscow Times deputy editor Nabi Abdullaev with the European Union Institute for Security Studies in May and presented at Harvard University's Davis Center for Russian and Eurasian Countries.

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