

News Analysis: Putin Faces a No-Win Situation

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After Sunday's presidential vote, Prime Minister Vladimir Putin's margin of victory and City Hall's willingness to allow continued opposition rallies could help foretell the magnitude of public discontent and the scale of future protests.

But regardless of the force of the protests, they will likely leave cracks in Putin's hold on power, further atrophying economic policy — even if the crowds wane completely over the next few weeks.

Two scenarios

Whatever the proportion of the vote chalked up to Putin, he could find himself in a catch-22 situation — facing equally intense public intolerance in all the possible outcomes, said Alexei Makarkin, deputy director of the Center for Political Technologies, a think tank.

"It's the person that is the irritant," he said. "No matter how many votes he receives, the irritation will be strong."

By garnering 60 percent or more, Putin will raise the specter of major fraud, reopening the wounds from the disputed State Duma elections in December — and that would breed the maximum emotional reaction at the protests, Makarkin said. A sense of unfairness would appear despite the latest opinion polls that handed Putin about that much support, he said.

If Putin musters no more than 54 percent of the vote, people might consider this a sign of his weakness, which would also encourage anti-Putin sentiments, Makarkin said.

Even if the number ends up being in the middle of that range, at about 58 percent, people are likely to take to the streets in similar force, he said.

The ballot count may be totally clean, but "people regard the election as ultimately unfair because of the choice of candidates and other conditions," he said. Some candidates have complained about unequal campaigning opportunities.

Makarkin said that if the size of the pro-Putin vote doesn't affect protest turnout — but only the shade of resentment — the condition that will influence the mass of the crowd is permission to rally from City Hall, which it granted for the Monday opposition demonstration on Pushkin Square.

If the city doesn't approve further rallies, many malcontents will stay away, fearing arrest, but the rest will press ahead in a more radical way, he said.

Banned or not, anti-Putin protests could die down by summer, Makarkin predicted. This would be due to vacation travel by many of the middle-class demonstrators and distraction of the organizers by the opportunity to register and build their parties — if the Duma approves President Dmitry Medvedev's recent liberal amendments to party legislation.

But come fall, the nascent parties will demand new State Duma elections, Makarkin said. In what could sour people's moods, homeowners and businesses will start getting higher bills for natural gas and electricity in August because most of the regulated utility tariffs will increase as of July, he said.

"We are heading toward a very fervent autumn," Makarkin said. "The discontent won't go anywhere. There will be abatement, but the protest will then take on a new form."

Hence, in terms of the economy Putin will likely have to walk a fine line between the need for at least some unpopular changes and the threat that they will play into the hands of the opposition.

The challenges prompted Chatham House, a London-based think tank, to conclude that, "It is by no means certain that Putin would see out his full six-year term" in a report released last week.

Here are some of the key issues, besides public protests, which Putin will have to deal with:

Choice of prime minister

Putin reiterated Thursday that he would propose outgoing President Dmitry Medvedev as the next prime minister. He made the statement at a late-night meeting with several foreign newspaper editors. Medvedev is likely to sail through a confirmation by a Duma that has a pro-government United Russia majority.

If Putin were to renege on the promise he gave at the September congress of United Russia to make Medvedev his prime minister, that would ruin one of the mainstays of the current government: the binding nature of informal agreements, Makarkin said.

Some political analysts have said Putin could opt to allow Medvedev to sit for only a short time in office before replacing him with former Finance Minister Alexei Kudrin, Reuters reported. Kudrin has stated an intention to create a liberal party, either alone or with other political leaders. His appointment could come across as a concession to the opposition.

Rule of law

A better business environment resting on an independent judiciary and the fight against corruption, among other things, would help draw investment.

"But there are few signs of this coming from Moscow's predatory officials," the Chatham House report said.

Analysts at investment company Aton also stated doubts that Putin would return to the Kremlin with an agenda for drastic changes, in a report last week. Any attempt at long-term improvements to the business environment, such as a push for more competition, would not be immediately evident to the electorate but would undermine the top business and bureaucratic elite, said the analysts led by Peter Westin.

Concerns of foreign investors

The perceived threat of the protests — although they have yet to succeed in chipping away at the government's power — made foreign investors question Russia's stability, U.S.-based think tank Stratfor said in a Feb. 20 report.

Most large business deals require a strong government to see them through the dense Russian bureaucracy, and foreign investors are not confident that the Kremlin can focus on such deals while facing political attacks, the report said.

Westin and the other Aton economists warned that if Putin's new government ignores the voice of the opposition it could "create the possibility of a flare-up in political risk."

Privatizations

The government could postpone most of the sales from its ambitious privatization program — which is already off schedule — to 2017, Stratfor said in the report. It could go even further and scrap the plan altogether, now that Russia's political turmoil has joined Europe's economic woes in dampening interest among foreign investors, the report said.

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