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Bremmer and Roubini Are Wrong About Russia

By The Moscow Times

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I am getting sick of this. On May 29, Ian Bremmer and Nouriel Roubini, two of the most famous commentators on the New Europe region, wrote an absurd op-ed for the Financial Times entitled "Time to Blackball Russia's Autocratic State."

My problem with this is typical of the blatantly irrational rant (if you spend half an hour researching Russia on the Internet) and is typical of the op-eds on this meme, dressed up as analysis.

Bremmer and Roubini should be ashamed of themselves as they engage in the most blatant fact-twisting and hyperbole that is designed to do nothing more than reinforce the dogma that "Russia is evil." For two otherwise well-respected political scientists, their column is all politics and no science.

Charlie Roberson, chief economist of Renaissance Capital and formerly chief economist

at ING, offered a nice concise rebuttal of some of the most glaring fact-twisting: "[The article] ignored India's corruption, China's political system, Brazil's worse score on the Ease of Doing Business, the significant improvements in Russian life expectancy and rise in its birth rate. No mention was made of GDP which has risen ten-fold in just over a decade — Putin does have some reason 'to brag,'" wrote Robinson, who obviously also has an ulterior motive to promote Russia.

Robinson goes on to point out that of all the BRIC countries, Russia was the only one to put in accelerating growth in the first quarter of this year and that Russia's macro fundamentals are amongst the best in the world.

Jim O'Neill, CEO of Goldman Sachs Asset Management, made the same point in an interview with Business New Europe in May: according to Goldman's research, India is the weakest of all the BRICs and Russia is one of the strongest.

But let me run through some of the points Bremmer and Roubini count against Russia.

Syria: most of the hoopla surrounds Russia's prickliness over the UN's attitude to Syria. This is a very complicated issue. Russia has been obstructive, as it didn't act over the UN's actions against Libya with a similar setup. However, Europe and the U.S. overstep the UN resolution's authority to basically launch a military regime-changing operation. Put aside the rights and wrongs of this — Russia's position is that it holds as central the country's sovereignty and has watched as time and time again in recent years the U.S. and its allies in the UN have charged into other countries they don't like to change the regime. Russia's position is a point of principle — neither the U.S., Europe nor the UN have the right to change a country's government, and Libya showed that whatever the resolution says the end result of a UN-led response is regime change.

The problem is further complicated by the fact that the Soviet Union traditionally had strong ties in the Arab world, and especially with Damascus. Syria was one of the Soviet Union's main non-communist trading partners — a relationship Russia has inherited. Who remembers now that former Prime Minister Yevgeny Primakov was an Arabist and personal friends with Saddam Hussein?

Would the U.S. stand idly by if Russia started telling it who to be friends with? What about U.S. bases in Uzbekistan, where the president boils people alive? Isn't Washington embarrassed by its decade-long support of Egypt's Hosni Mubarak? And what about the CIA's funding of Osama Bin Laden when he was fighting the Soviets in Afghanistan? The hypocrisy is rancid.

And all these complicated issues are blithely ignored by Roubini and Bremmer in their op-ed. There is not even a parenthetical aside to say there is more here than meets the eye. Their message is a simplest of all logical constructions, a syllogism that goes: Russia has made trouble in the UN; the UN are the good guys; ergo, Russia is evil.

The next point they make is that Russia can't become a member of the international community unless it can "act like a mature free-market democracy." I hope they are not referring to the U.S. here as a role model after the travesty that was Somalia, Iraq, Afghanistan, etc. Or its shameful lack of action in Yugoslavia, where thousands were killed and the most Bill Clinton would do is fly a few bombing missions. To hold the U.S. up as some

bastion of respectable international action that Russia should aspire to emulate belies the arrogance that comes with decades of following a unipolar foreign policy.

The irony of the situation is that because the U.S. is rapidly losing its power as its economy withers away thanks to its own catastrophic mismanagement, it finds itself in a position where it needs Russia's support in the UN and on the ground to deal with a problem like Syria — one of the countries where Russia really does have some sway and could bring something positive to the party. But no — far better to belittle Russia, say Roubini and Bremmer.

As for not showing up to the G8 meeting and going to Beijing and Belarus instead: Well, Russia has real business with these countries, unlike America, which, if you exclude its consumption of oil and discount the multinationals, doesn't play a very important role in the Russian economy. Why should Russia be interested in "Western clubs" when 70% of growth in the world is being generated by the emerging markets (and 50% from the BRICs)?

The next bit of the op-ed is especially galling, given the values that Russia has just been judged on and found wanting.

"Can we classify Russia as a dynamic emerging market? Not a chance," the authors write.

Except that Russia's GDP has increased ten-fold in the last decade. And with a per capita income of about $15,000 (on a Phoenix Capital basis), Russians are already by far the richest people of any of the emerging markets. Indeed, according to the last UN Human Development Report, Russia is officially a "developed market" and middle-income country, unlike any of the other BRICs.

And to go a step further: according to the annual Global Wealth report released by America's own beloved and highly respected Boston Consulting Group, Russians are enjoying the fastest-growing personal wealth of any country in the world, having increased by 21.4 percent last year. On this score, not only is Russia one of the most dynamic emerging markets in the world, it is one of the most dynamic of any market in the world and is clearly a lot more dynamic than America, where the standard of living of the average American family actually fell between 1990 and 2000, according to the U.S. Department of Labor.

Guys, you can look all this stuff up on the Internet. It is not hard to find. It's called "research."

I'm not sure if I should go on with this. Maybe a little.

"In China, the Communist Party has engineered a complex, high-powered economic engine that has lifted the country from abject poverty to become the world's second-largest economy," they write.

Yeah — based on artificially holding the currency down. And you do realize that China is not a democracy in any shape or form, and still has — and uses — the death penalty? What about treatment of Uighurs? Tibetans? Women's rights?

"India has produced some of the world's more innovative private-sector companies," they write.

And it is the weakest of all the BRICs, a country where over 500 million people live on less than $1.25 a day, according to the UN. That's about half the population. Poverty in Russia is currently 12.5 percent, which is less than the level in the U.S.

"Brazil is now an increasingly self-confident democracy with a well-diversified economy and a growing international profile," they write. Aha! A fair point! Brazil is really cool and has done very well.

"Russia, by contrast, has become an authoritarian state built on Mr Putin's reputation as a tough guy and the export of oil, gas, other natural resources and little else..."

This is just not true. Oil and gas account for between 14-17% of GDP (depending on the price of oil), while consumption and retail trade made up 52% of GDP in the first quarter. Incomes have gone from $50 a month under Yeltsin to about $800 now — that's a 16-fold increase. There is a complicated discussion about the problems with the structure of the Russian economy. But hey, why bother? Russia is evil *and* it has oil.

"Corruption is endemic. Transparency International's global corruption index ranks Turkey at 61st, Brazil at 73rd and China at 75th. Russia ranks far worse at 143rd." True. But actually it is the "global corruption *perception* index" and doesn't actually measure corruption per se, but what business people believe.

Moreover, Bremmer and Noubini have forgotten to mention that Russia's ranking has fallen from a peak of 154 to the current 143 since Prime Minister Dmitry Medvedev launched his anti-corruption drive. Sure, the fact that corruption is falling in Russia is pertinent to the argument — or am I making the mistake that we are attempting to rationally assess what is wrong with Russia?

"In addition, much of Russia's commercial elite still views the country as a wealth generator but not a long-term investment bet."

Who are they talking about exactly? Sure there companies like this (everyone can name them), but the fast-growing companies are those like supermarket chain Magnit, which actually increased its investments in the midst of the 2008-09 crisis, and the thousands of other firms catering to the consumer. Not to mention the arrival of the likes of PepsiCo that "invested" $3.8 billion in buying the leading Russian dairy producer, or Burger King, which just this week entered a venture to open several hundred restaurants in Russia. Surely America's own famous international brands are not in it for the short-term?

"Capital flight, a chronic problem, has reportedly accelerated since Mr. Putin's re-election in March," Bremmer and Roubini wrote.

Wrong and wrong. It was a chronic problem in the 90s, but proportionately the current capital flight is not a macroeconomic problem. Moreover, the implication here is that Russians are taking their money out, when over half the money leaving is actually from foreign banks with branches in Russia bailing out their parents in the West because the crisis that America and Europe caused has gotten them into trouble.

"The country's population is falling — because healthcare is poor, socially driven diseases

such as alcoholism rampant and because well-educated Russians are leaving in search of better opportunities elsewhere."

Again, this is simply a lie — or more like a wanton lack of any sort of research at all. Russia's birthrate started rising again in 2008 (thanks to the prosperity!) and is close to stabilizing. The UN number Bremmer and Roubini cite is now in dispute, as the demographic trends have been changing dramatically. Goldman's O'Neill told BNE that he now expects a "big surprise on the upside" when it comes to Russia's demographics.

I am going to stop here. This has taken up far too much space. But it is shocking that respectable and presumably intelligent men like Bremmer and Roubini can write such obviously flawed polemical drivel as this.

There are serious issues involved here on most of the points they raise. But this mindless hate-mongering is not only pointless, it is dangerous. The world is a fragile state both politically and economically. We need as a global community to pull together if we are to put a floor under the economic fears and sooth countries undergoing a democratic awakening to keep the violence and killing down to the minimum.

But with this op-ed Bremmer and Roubini personify the arrogance and sloppy thinking that got us into this mess in the first place and is an abuse of their positions as leading commentators that people actually listen to.

I am sick of writing these rebuttals, as it is waste of time and energy. Look around you. Look what is happening in the world today. Can we afford to waste time on these pointless debates? Well, we are. And the situation is continuing to deteriorate.

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