



TRUSTED  
SOURCES

# A touch on the tiller

Trusted Sources > Russia > Politics/governance

12 Nov 2006

## Overview

President Putin's long-term plan for Russia's political system has become clear - and it looks good for the country risk.

Putin is introducing limited open political competition in the form of a two-party system under Kremlin supervision. What matters for now is not so much the long-term outcome of this project, though if it did succeed (which it has a reasonable chance of doing) it would remove the risk of destabilisation inherent in the present political system. We are focussed more on the simple fact that Putin has launched this initiative while signalling at the same time that he intends to keep a strong handle on affairs after he formally leaves office in 2008. All this points overwhelmingly to Dmitry Medvedev as the next president. A Medvedev presidency will bring positive surprises on risk reduction.

## Core Case

Putin's political strategy: why it will reduce long-term country risk; main focus on shorter-term implications - above all, Dmitry Medvedev as the next president.

## Assumptions and Evidence

Putin's plan in his own words, and data showing the plan already in action - particularly as regards Medvedev

# Core Case

---

## Introduction

In the last few weeks, the contours have taken shape of the political system that President Putin intends to bequeath to Russia. His plan can be inferred from two recent developments.

- The establishment of a new mainstream party to compete with the hitherto dominant (effectively monopolistic) United Russia;
- Putin's signal that he plans to remain active and influential in public life after stepping down from the presidency in 2008. This reinforces a mass of other evidence that the next president will be Dmitry Medvedev.

These developments may seem to amount to nothing more than a tactical power play ahead of the 2007-8 elections beginning Russia's next year four-year political cycle. Any such first impressions are partially corrected by the lively reactions already coming from serious political commentators in Moscow and presented by Trusted Sources in two pieces in our 'Public Judgements' format (see and ).

In our view, these interpretations understate the importance of what is going on.

Any abrupt change would be uncharacteristic for Putin, for whom stability has always come first. Accordingly, nothing dramatic is involved here. But an apparently unremarkable change of course by a few degrees will have important long-term consequences. Compared to the outcome if the political system were to remain on an unchanged trajectory for another 1-2 political cycles, those consequences are positive.

## The story so far

Since its formation during Putin's first term, and especially since its clean sweep in the December 2003 Duma election, United Russia has come to resemble a soft remake of the Communist Party of the Soviet Union (CPSU). Today's Presidential Administration is the equivalent of the old CPSU Central Committee (and sits in the very same fine art deco office buildings close by the Kremlin).

Strategic policymaking is finalised in the Administration. One result of the intensive centralisation of power under Putin is that increasing numbers of detailed decisions hang on his personal intervention. Then the executive (government) and legislature (the United Russia-dominated federal parliament) get on with implementing those decisions.

The reappearance of a ruling party - United Russia - has been greeted with relief by both the mainstream political class and (to judge by opinion poll evidence) a large section of the public. Familiarity is especially reassuring after the chaos and uncertainties of the 1990s. People can recover their bearings, and revert with relief to tried and tested forms of behaviour.

This system drives political competition below the surface, as bureaucratic clans compete for influence and rents in dark corners of the big tent. The lack of open political competition creates two long-term dangers. It reduces accountability, so increasing corruption. Secondly, it entrenches inertia, which is not a favourable environment for reform policymaking. All this could undermine legitimacy, and spell chronic destabilisation (for a fuller account of this argument, see the background to our Stability theme for Russia - ).

## The Putin tweak

The way to mitigate this long-term aspect of country risk is more open political competition. Putin has decided to introduce such competition in the limited form of a two-party system. The classic centre-right/centre-left play now emerging in Russia shares with mature democracies the essential feature of systemic stability. Two major parties with contrasting platforms on taxation, public spending etc compete for control of the government without calling into question the country's basic laws, institutions and goals.

This emerging two-party system in Russia falls short of the mature model in being a top-down construct. Both parties - United Russia and the new (centre-left) Justice Party - have their origins in the Kremlin and profess support for Putin.

In other words, the presidency itself - the country's central institution and cornerstone of political legitimacy - will remain above the party political fray. A good parallel is the core ideology of Gaullism in France, with its vision of the presidency as a plebiscital office incarnating shared national values and stability, while holding the ring for the ebb and flow of day-to-day politics.

There is little need for elaborate Kremlinology to make sense of Vladimir Putin's rule. His track record is one of stating pretty clearly what he has in mind, and then acting on it. In this area of political system-building, his standard line has two components. First comes steady democratisation ('in our own way, and at our own pace'). Secondly, the move to a party political President (i.e. fully fledged political competition) is declared to be necessary and inevitable in the long run, but 'premature' for now. On this last point too, Putin is closely in tune with majority public opinion as revealed in opinion poll findings.

Putin is signalling that the embryonic two-party system should be nurtured under Kremlin tutelage. If the system proves itself reliable over time, it can be let off the leash (that is, the presidency itself would become part of the competition). Putin's idea of reliability here will mean avoidance of a revival of the oligarchs at one end of the spectrum and of a slide into extreme xenophobic Russian nationalism at the other.

## Long-term prospects

None of this is to say that Putin's scheme will work out as planned. Most commentators would probably predict failure. Putin's track record of centralising power will reinforce scepticism about even the most modest steps in the opposite direction.

In our view, that scepticism is overdone. The move to limited political competition is made possible by real shifts in society. A viable two-party system with alternating governments requires a minimal national consensus about a country's values and general orientation, enabling power to change hands without jeopardising underlying stability.

Only recently has this essential pre-condition been met in Russia. For most of the time since the USSR collapsed in 1991, a quarter to a third of the electorate supported the Communist Party, which would be better labelled the 'party of nostalgia for the Soviet Union'. In other words, the theoretical alternative government rejected the very basis of post-Soviet Russia. In the last Duma election in 2003, the communist vote share fell to 12%, and has since remained at that level in a series of regional elections.

With Soviet nostalgia thus confined to a dwindling minority of predominantly senior citizens, the way is clear for more normal - that is, stable - political competition in the rest of society. This is a society which has adapted to a greater or lesser extent to the revolution of 1991 (here is the underlying national consensus), but which has differing views on many important policy

questions. In this perspective, the new two-party system appears a less artificial construct. There are real constituencies for the two 'made-in-the-Kremlin' parties to tap into.

To repeat, just because Putin's scheme may have more going for it than meets the eye does not guarantee ultimate success. For one thing, open political competition is not in the interests of the rent-seeking bureaucracy, which may manage to smother the initiative. Alternatively, and perhaps more likely, the two-party system will lead sooner or later to a government (or prospective government) with economic policies not to the taste of whoever is president at that time. At that point, the Kremlin might prefer to avoid a French-style 'cohabitation' by marginalising the undesirable party and reverting to the present 'big tent' model.

There is a less likely, but not impossible, opposite scenario, in which the two-party system matures more quickly than Putin appears to have in mind. That is, regardless of obstacles thrown up by Kremlin political managers (especially through their control of the national television networks), the two parties slip the leash and - by the time of, say, the next political cycle in 2012 - invade the presidential space by putting up their own genuinely competing candidates.

### **Immediate prospects**

The key call we are making at this stage does not concern these ultimate outcomes. What counts for now is that the Putin plan for limited political competition is going to be put into action over the coming election cycle. The reason for a high degree of certainty on this point is simple: Putin is easily powerful enough to try more or less whatever he wants. The fact of this experiment being conducted, whatever its longer-term consequences, itself has important implications for investment risks.

To understand these short-term consequences, we must return to the second major recent development besides the appearance of an officially sanctioned mainstream alternative (centre-left) party. This is Putin's intention to reserve for himself a guiding role after his retirement from the presidency.

For the purpose of the present discussion, this means that Putin plans to look after his new political construct in its early years. More broadly, he is clearly reckoning to remain the ultimate arbiter and guarantor of what he calls the 'strong development path' established under his presidency.

The logic of these plans is that the candidate whom he endorses ahead of the March 2008 presidential election (thereby ensuring that candidate's victory) must be a young and pliable protege. From the present slate of two possible successors which Putin himself has created, this can only mean Dmitry Medvedev winning out over Sergey Ivanov.

There is already a mass of other evidence pointing to a Medvedev succession. For us, the latest glimpse which Putin has given about his own plans clinches the outcome.

Our conclusion is reinforced by the longer-term logic of those plans. The constitution would allow Putin to stand again for the presidency in 2012 - and hold the office for another two consecutive terms until 2020. By then, he would be sixty-seven - younger than Yeltsin when he left office in 1999. By making Medvedev president in 2008, Putin would secure that option of a return to power in 2012 to a much greater extent than in an Ivanov presidency. Medvedev could even be rewarded for keeping the seat warm for Putin in 2012 by a repeat promotion to the presidency in 2020, when he (Medvedev) would be only fifty-five.

The point here is not whether any of this will work out. Besides being, of course, unknowable, the fate of any long-term schemes is in any case irrelevant to this call - which is based on how the logic of future calculations will drive present actions.

## Conclusion

What does all this mean for risks?

The introduction of limited two-party political competition will reduce the risks of longer-term destabilisation inherent in the present system.

At first sight, the identity of the shoe-in successor to Putin as president may seem of little significance given the logic of choosing a grey, pliable placeholder. A more important factor, however, is the large powers vested in the Russian presidency. The experience of Putin himself is the best proof of this point. Like Putin when he started out in 2000, Dmitry Medvedev will grow into those presidential powers and produce some pleasant surprises for investors relative to low initial expectations of his being a grey cipher.

The main element in this positive outlook is youth. In part, this point is another aspect of the similarity with Putin. Just forty-three in 2008, Medvedev will be an even younger new president than the forty-seven year-old Putin was in 2000. More important is the aspect specific to Medvedev himself. By the time his adult life began, the Soviet system was already unravelling. Medvedev's experience and track record bode well in many ways for modernization. But even before examining his credentials in detail - as we will be doing in the coming weeks - the prospect of the first post-Soviet man in the Kremlin in itself creates excellent potential for further risk reduction.

## Assumptions and Evidence

Putin's plan in his own words, and data showing the plan already in action - particularly as regards Medvedev

To support and illustrate the arguments set out above in the 'Core Case', we present some data from recent election results and opinion polls, and quotations from Putin and Medvedev.

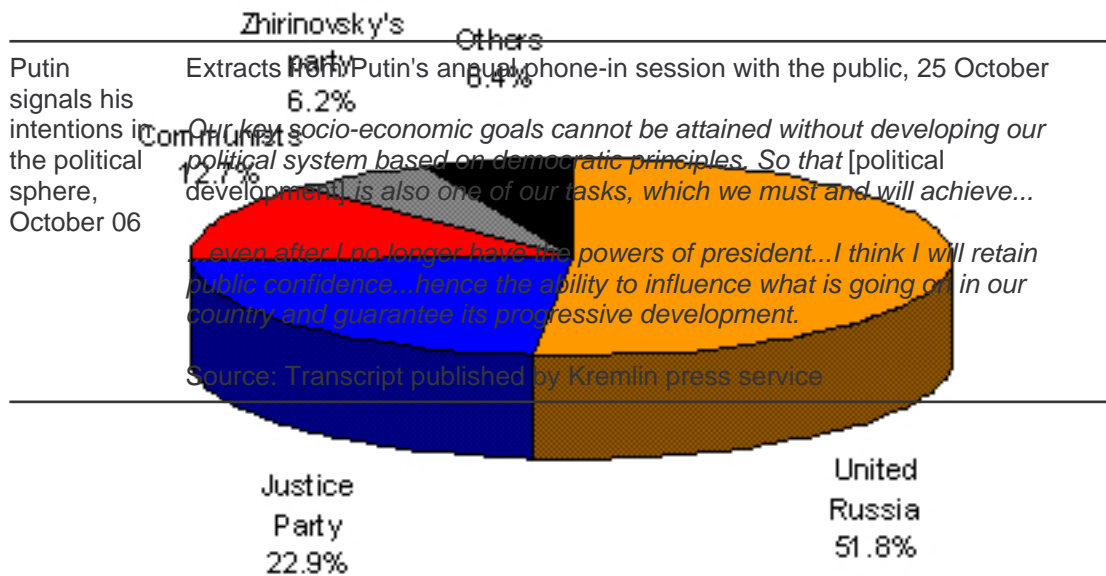
---

Assumptions Evidence

---

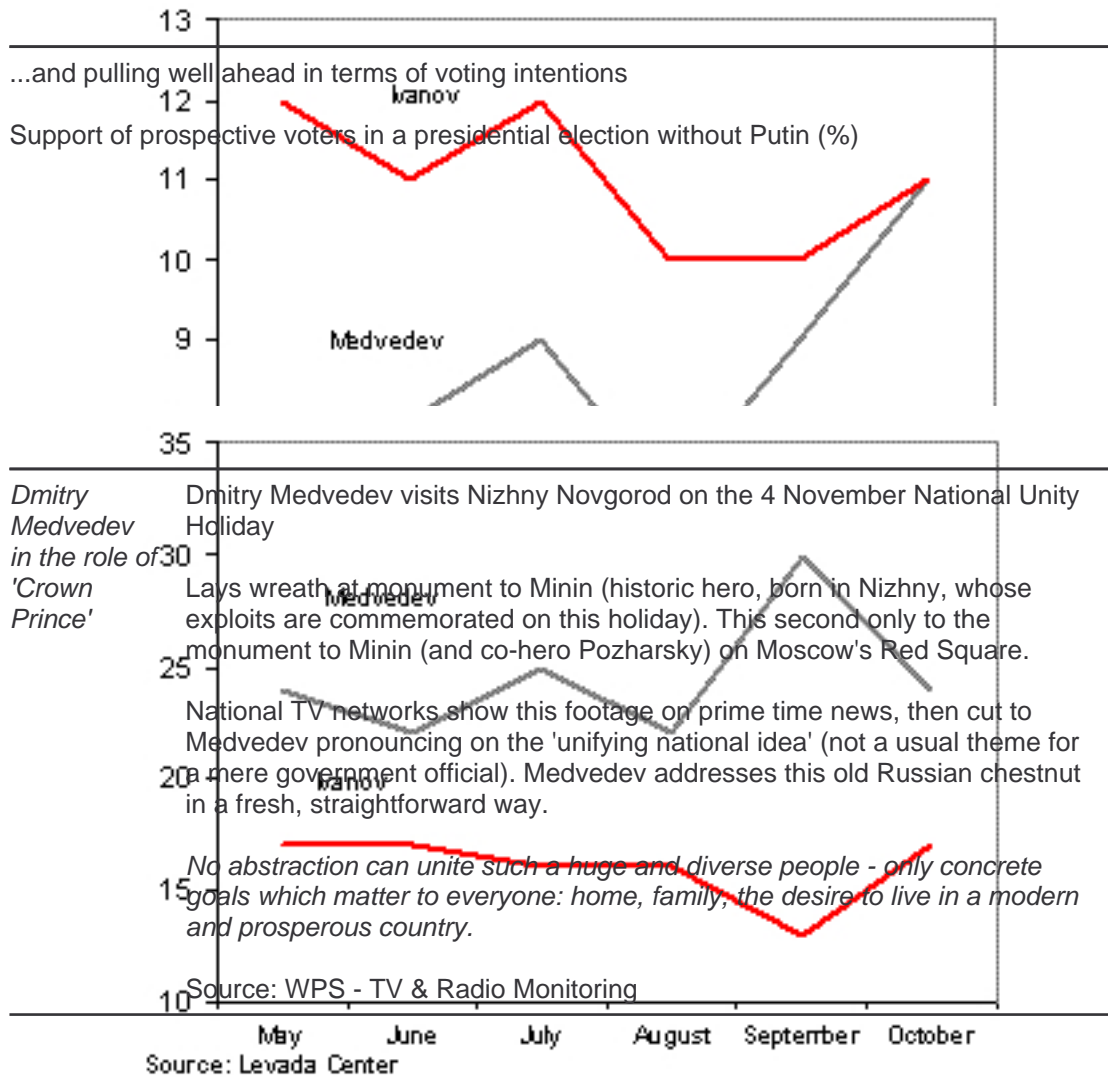
Latest regional election vote shares reflect the start of competition between the two approved mainstream political parties.

Party vote shares in regional elections, Oct 2006



Dmitry Medvedev overhauling succession rival Sergey Ivanov in public trust rating...

'Which politician do you trust most?', May-Oct 2006







TRUSTED  
SOURCES