



The Russian crisis and Putin's third term

Standard Note: SNIA/6289

Last updated: 4 April 2012

Author: Ben Smith

Section International Affairs and Defence Section

Recent parliamentary and presidential elections in Russia led to the return of Vladimir Putin as President of Russian Federation from May 2012. There has been a crisis in legitimacy of Putinism and moves to restore faith in the system, but the looming economic problems threaten the system and carrying through genuine reform will be difficult.

Main points:

- The authorities made some efforts to ensure that electoral fraud in the presidential election was not as blatant as in the parliamentary election
- There were many reports of abuses and the Russian system remains profoundly undemocratic, but Vladimir Putin was the most popular candidate
- Russia's economic problems, closely linked to the country's politics, are severe.
- In the longer term it is difficult to see how the problems can be addressed without profound reform, particularly to ensure the rule of law and the protection of individual rights
- Russian corruption makes that reform very difficult to achieve, but popular dissent is unlikely to go away
- A weaker Putin may resort to foreign policy to demonstrate strength and appeal to nationalistic support: this may make relations with western countries more difficult in the coming years.

This information is provided to Members of Parliament in support of their parliamentary duties and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as being up to date; the law or policies may have changed since it was last updated; and it should not be relied upon as legal or professional advice or as a substitute for it. A suitably qualified professional should be consulted if specific advice or information is required.

This information is provided subject to [our general terms and conditions](#) which are available online or may be provided on request in hard copy. Authors are available to discuss the content of this briefing with Members and their staff, but not with the general public.

Contents

- 1 2011 State Duma election 3**
 - 1.1 Results 3
 - 1.2 Conduct of the Duma election 3
 - 1.3 UK reaction 4
- 2 Dissent 5**
- 3 Restoring legitimacy? 5**
- 4 The presidential election 6**
 - 4.1 Background 6
 - 4.2 Candidates 7
 - 4.3 Results 7
 - 4.4 Conduct of the Presidential election 7
- 5 Reactions 8**
- 6 Putin’s third term 10**
 - 6.1 Economic situation 10
 - 6.2 Corruption and the rule of law 11
 - 6.3 Reform 12
 - 6.4 Foreign relations 12
 - Eurasian Union 13
 - Missile defence 14
 - EU relations 14
 - Visas 15
 - 6.5 Sergei Magnitsky 15
- 7 Outlook 16**

1 2011 State Duma election

Russia held elections to the State Duma, or lower legislative house, on 4 December 2011. The 450 seats in the assembly were contested and 60% of the electorate turned out to vote under a proportional representation system.

1.1 Results

Election to the Russian State Duma 2011

Party	2007		2011	
	%	Seats	%	Seats
United Russia	64.3	315	49.3	238
Communist Party	11.6	57	19.2	92
A Just Russia	7.7	38	13.2	64
Liberal Democratic Party	8.1	40	11.7	56

Source: RIA Novosti

The result came as something of an upset for the government. Prime Minister Vladimir Putin's United Russia lost 77 seats (but retained a modest overall majority in the Duma) as its share of the vote fell to just below half. United Russia's nearest rival, the Communist Party, gained 35 seats with nearly one in five votes. There is a threshold of 7% of the vote to gain seats in the Duma; only four parties passed this threshold. The threshold will be lowered to 5% at the next election, in 2016.

On the face of it, the result was still a strong one for United Russia. Most governing parties would be happy with half the vote and an outright majority in parliament. But this was an election in Russia's 'managed democracy', where the opportunities for genuine opposition parties to form and compete are limited, and where the Russian government has significant control over the media, particularly television and uses that control to the electoral advantage of the ruling party. The Organisation for Security and Cooperation in Europe (OSCE) Parliamentary Assembly, which sent an observer mission to the election, also said that many political websites were down during the day of the election.¹

One factor in United Russia's relatively poor showing was reported to be a dull and complacent election campaign. More important was growing impatience among the electorate (not only among the growing middle class in Moscow) with managed democracy and with Vladimir Putin himself.²

1.2 Conduct of the Duma election

There were many allegations that the election was rigged, but if a governing party with so much control over an election can do no better than United Russia in 2011, it perhaps shows that important changes are taking place in society.³

¹ Organisation for Security and Cooperation In Europe Parliamentary Assembly, Russian Federation, State Duma Elections – 4 December 2011, *Statement of Preliminary findings and conclusions*, p2

² For more on the Duma election, see the Library briefing *Russian revolt?*, January 2012

³ For more on the legislative election, see the Library Standard Note *Russia revolt*, 3 January 2012

The OSCE said that the vote was marked by irregularities and said that fraud probably took place:

[The count] was characterized by frequent procedural violations and instances of apparent manipulation, including several serious indications of ballot box stuffing.⁴

There was particular concern about the voting in some of the remote republics.

Groups inside Russia were unhappy with the conduct of the vote. The Communist Party described the election as “illegitimate”:

KPRF states that the passed State Duma elections were unfair and non-free. We consider them illegitimate from a moral and political point of view.⁵

President Medvedev ordered an investigation into the alleged irregularities from the Federation’s Prosecutor General. He reported to Mr Medvedev on 18 January 2012. The report confirmed that some 3000 violations had occurred, but said that the irregularities did not undermine the overall legitimacy of the result. Opposition groups, including the Communist Party, criticised the report.⁶

The independent monitoring organisation GOLOS published its own report into the election on 9 February, concluding that the election was seriously flawed:

The election of deputies to the State Duma was neither free nor fair, nor did it meet the demands of the Russian electoral code and international electoral standards. The fundamental principles of elections were not adhered to, namely true competition and the equal rights of all sides involved, a neutral administration, independent election commissions, a vote conforming to the law and a correct vote-counting process. All phases of the election period were marked by a range of violations against the electoral code, which were designed to distort the will of the electorate and thereby remove the possibility of an appropriate representation of citizens’ interests in the most senior legislative organ of the country.⁷

Many called for a re-run of the election, but the government did not concede one.

1.3 UK reaction

Foreign Office minister David Lidington said that the findings of the OSCE mission showed that allegations of irregularities should be investigated:

These conclusions underline the need for alleged electoral violations to be investigated rapidly and transparently, and to ensure that all democratic institutions – including the media, civil society, and opposition political groups – are able to operate freely in Russia.⁸

⁴ Organisation for Security and Cooperation In Europe Parliamentary Assembly, Russian Federation, State Duma Elections – 4 December 2011, [Statement of Preliminary findings and conclusions](#), p2

⁵ “Communists slam Duma vote”, *RIA Novosti*, 10 December 2011

⁶ “Prosecutor General presents election-violations report”, *Moscow News*, 18 January 2012

⁷ Association GOLOS, [Domestic Monitoring of Elections to the 6th State Duma of the Federal Assembly Russian Federation, 4 December 2011](#), 9 January 2012

⁸ “[Independent assessment of Russian elections raises UK concern](#)” FCO press release, 6 December 2011

2 Dissent

Putin's approval ratings fell consistently in during 2011, from 68% at the beginning of the year to 61% in November. After the Duma election controversies, the number approving of Putin had fallen to 51%.⁹

Moscow and other cities saw the biggest demonstrations since the fall of the Soviet Union. In the immediate aftermath of the election there were demonstrations which saw more than 1,000 arrests, mostly in Moscow. On 10 December, there was a rally of some 40,000 people in Moscow. On 12 December, a pro-government counter-demonstration was held in Moscow. It was reportedly thinly-attended and many who were there had apparently been persuaded to go by the authorities.¹⁰

Democracy campaigners such as Alexei Navalny, who was detained for 15 days for obstructing the police, said that more demonstrations would take place. Organisers have used internet social media to organise themselves, as was the case in the Arab uprisings. The internet has also had a broader influence in undermining the legitimacy of the regime, which normally boosts itself through substantial control over television broadcasting.

On 24 December, there were further demonstrations on the streets of Moscow. This time crowds of some 120,000 gathered in the capital and there were large demonstrations in other centres. The demonstrations showed that the movement was not simply a one-off reaction to the election but retains momentum.

Significant, too, was the participation of Alexei Kudrin, a respected former minister who headed the finance ministry from 2000 to 2011. Kudrin resigned in September, saying that he would not serve with Medvedev as prime minister. One commentator has suggested that Kudrin may become a credible interlocutor between the Kremlin and the protest movement.¹¹ On 10 January, there was a demonstration of about 40,000 in Moscow and another of 10,000 in St Petersburg.¹²

3 Restoring legitimacy?

The Kremlin is reported to be considering approving the creation of a more liberal and democratic opposition party to represent the disaffected middle class and urban voters who appear to have deserted United Russia at the Duma election. How the government will convince voters that there is a genuine opposition is not clear, when there are already 'tame' opposition parties in the Duma which are widely distrusted.

In an important response to public disaffection with the election, President Medvedev told a United Russia meeting on 17 December that the political system needed reforming:

We are obviously entering a new stage in the development of our political system, and we should not close our eyes to that. It has already begun. And it began not as a result of some demonstrations -- that is just superficial, it is foam, if you like -- it is a manifestation of human dissatisfaction.

It began because the old model -- which faithfully and truly served our state in recent years, and didn't serve it badly, and which we all defended -- it has exhausted itself.

⁹ "Vladimir Putin's approval rating drops in first poll since street protests", *Guardian*, 16 December 2011

¹⁰ "Few at Putin Party's Rally, And Even Fewer Willingly", *New York Times*, 13 December 2011

¹¹ Dmitri Trenin, "[Protests in Russia](#)", Carnegie Endowment for International Peace, 29 December 2011

¹² "Russia silenced", *Sunday Times*, 11 December 2011

need to change the model, and only then will there be dynamic development in our country. [...]

It is categorically inadmissible that the political system be delegitimized. This would only mean one thing for our country: the collapse of the state. What Russia is without government is something that everyone remembers well from history books, it's 1917.¹³

In his last end-of-year address before surrendering the presidency, Medvedev called for a "public" television channel that would be independent of the state. He also suggested:

- re-instating direct elections for regional governors, abolished in 2004 during Vladimir Putin's presidency
- lowering the barriers to registration for new parties (at present parties are required to gather 40,000 signatures) and
- reducing the number of signatures presidential candidates must collect: at present they need to collect two million signatures.

The Duma approved legislation to ease the registration of new parties on 29 March 2012 and a new law re-instating the direct election of regional governors will come into force in May. Elections are due to be held in autumn 2012. Mikhail Khodorkovsky, the jailed former head of Yukos (see below), wrote in February that these changes should not be dismissed as meaningless:

These steps are capable of changing much in Russia, a catalyst, perhaps unintended, for a more fundamental transformation. They give hope that the seeds of modernity can be planted across the Russian Federation with the brightest and best coming forward as candidates for public office. Opposition figures capable of challenging existing power structures will grow – but the opposition will have to consolidate into two or three new parties, with the capacity and strength to challenge the status quo, avoiding the Kremlin trap of divide and rule among myriad rivals.¹⁴

4 The presidential election

4.1 Background

After the controversial parliamentary election of December 2011, all eyes were on the next milestone in Russian government: the presidential election of 4 March 2012. In 2008, the presidential term limit had been extended from four years to six years, in a move that was interpreted by many as paving the way for the return of Vladimir Putin to the presidency. It might also be interpreted as a sign that Putin already knew that his popularity would fade and with it his chances of winning another two four-year terms, although two more terms are possible under the constitution.

Protests continued in Moscow and elsewhere in early 2012, as the government appeared willing to tolerate the demonstrations. On 4 February, there was a demonstration that attracted some 100,000 people onto the streets of Moscow, despite temperatures of -22° C.

The government took steps to improve the image of the election and discourage ballot box stuffing, by installing web cameras in some 92,000 polling stations and putting the footage on

¹³ "Medvedev Urges Reform Of Russia Political System", *New York Times*, 18 December 2011

¹⁴ Mikhail Khodorkovsky, "Real political change in Russia is unavoidable", *Guardian*, 26 February 2012

a freely available website. Russian civil society also responded to the Duma election controversy: 28,000 people volunteered to act as election observers.¹⁵

4.2 Candidates

Established opposition party leaders Vladimir Zhirinovskiy of the nationalist Liberal Democratic Party, Gennady Zyuganov of the Communist Party, Sergei Mironov of A Just Russia, and Grigory Yavlinsky of the liberal anti-Kremlin Yabloko party stood for president in 2012. Billionaire Mikhail Prokhorov also ran. He is the former leader of the Right Cause party who was ousted from the party leadership on grounds that are far from clear. Some think that his party threw him out because of pressure from Kremlin, others have suggested that it may be a double bluff to set Mr Prokhorov up as an apparently more credible opposition figure.

4.3 Results

Russian presidential election result 4 March 2012

Candidates	Party	%
Vladimir Putin	United Russia	63.64
Gennady Zyuganov	Communist Party	17.18
Mikhail Prokhorov	Independent	7.94
Vladimir Zhirinovskiy	Liberal Democratic Party	6.22
Sergey Mironov	A Just Russia	3.85
Turnout		65.25

Source: Russian Central Election Commission

Vladimir Putin is therefore due to become President in May 2012 and Dmitri Medvedev to return to the post of Prime Minister (although there have been suggestions that he will ‘pay’ for the establishment’s problems over the Duma election by not being re-appointed).

4.4 Conduct of the Presidential election

The Organisation for Security and Cooperation in Europe (OSCE) sent a joint delegation with the Parliamentary Assembly of the Council of Europe (PACE) to monitor the Russian election, at the invitation of the Central Election Commission of the Russian Federation. In its preliminary report, released on 5 March, the observers found that opposition candidates had been free to campaign as they wanted and all candidates had access to the media. However, it criticised the fact that Vladimir Putin had a clear advantage in media coverage and that the state’s resources were used to help Putin, particularly at the regional level.¹⁶

Tiny Kox, Head of Council of Europe’s Parliamentary Assembly delegation, said that the restrictive registration process for candidates meant that voter choice was limited:

This election showed a clear winner with an absolute majority, avoiding a second round. However, voter’s choice was limited, electoral competition lacked fairness and an impartial referee was missing. Due to increased citizen’s awareness and

¹⁵ Yulia Latynina, “The birth of civil society”, *Moscow Times*, 14 March 2012
¹⁶ “Russia’s presidential election marked by unequal campaign conditions, active citizens’ engagement, international observers say”, Council of Europe/OSCE joint press release, 5 March 2012

involvement elections were more lively, better managed and more seriously observed, whereas structural improvements in electoral regulation were proposed to Parliament – but not yet passed.¹⁷

Although there was little criticism of the conduct of voting in the OSCE/PACE report, press reports did talk of ‘carousel voting’, where groups of ‘voters’ are bussed around to vote using absentee voting forms in constituencies where they are not registered. Many of these people were reportedly told to go and vote for Putin by their employers.¹⁸

According to GOLOS, the real result would still have seen Mr Putin win more than 50% of the vote. This means that he would have won in the first round without resorting to electoral fraud, but the aim was to achieve a convincing victory, especially given the controversy about the parliamentary election and the declining levels of approval in opinion polls.

The *Economist* argued that this was as much about heading off doubts among the establishment as in the population:

[...] pumping up the numbers of Putin voters was not so much a means of securing victory in the first round but a demonstration to the bureaucracy and particularly to the security services that Mr Putin is still in charge and able to mobilise whatever resources necessary to stay in power.¹⁹

5 Reactions

David Cameron telephoned Vladimir Putin after the preliminary results of the election were known, but did not directly congratulate him. According to a spokesperson, Mr Cameron expressed hope that the obstacles to better relations between the UK and Russia could be overcome:

The Prime Minister said that he had been following the Russian elections closely. He looked forward to working with Mr Putin to overcome the obstacles in the relationship between Britain and Russia and build deeper political and trade links. The leaders agreed on the importance of building a stronger relationship, without disguising differences and areas of concern.²⁰

British Foreign Secretary William Hague said that, while observers found the voting process itself to be largely fair, the election lacked deeper democratic credibility:

Overall, while the [OSCE/PACE] Mission gives a positive assessment of voting on election day, it identifies problems with counting at some polling stations, unequal campaign conditions, and limitations on voter choice. These issues should not be overlooked. A Russia with greater political freedoms, including the registration of political parties, freedom of assembly, and freedom of the media is in the interests of Russians and of the wider world. All allegations of electoral violations should now be thoroughly investigated.

It is in Britain's interests to develop a stronger and deeper partnership with Russia, by addressing the obstacles in the relationship so that we can extend our political and

¹⁷ “Russia’s presidential election marked by unequal campaign conditions, active citizens’ engagement, international observers say”, Council of Europe/OSCE joint press release, 5 March 2012

¹⁸ “Monitors allege ‘carousel’ voting”, *Financial Times*, 5 March 2012

¹⁹ “It brings a tear to the eye”, *Economist*, 5 March 2012

²⁰ “Phone call: PM and Vladimir Putin”, Downing Street press notice, 5 March 2012

trade engagement. We look forward to working with the Russian government to do this.²¹

The US State Department called for the Russian authorities to “conduct an independent and credible investigation of all reported electoral violations.”²² The US administration also praised Russian civil society’s participation in the election, which the Kremlin might not have been so happy about:

We are encouraged to see so many Russian citizens voting, monitoring voting in their local precincts, exercising their constitutional right to free assembly, and expressing their views peacefully about the political and electoral processes. The number of Russian election observers who monitored this vote is unprecedented and a sign that Russian society seeks to participate in the improvement of Russia’s democratic institutions.²³

China was quick to congratulate Mr Putin on his victory, signalling its acceptance of the present regime and its interest in keeping Russia strong and influential, to counterbalance the United States.

Former Polish Prime Minister and former President of the European Parliament Jerzy Buzek described the election bluntly as “not democratic”.²⁴ Catherine Ashton, EU High Representative, merely said that the EU “took note” of the results of the election, without congratulating the winner.²⁵ Martin Schulz, President of the European Parliament, failed to mention Vladimir Putin’s name at all but said that:

Now that the elections are over, the Russian leadership should meet the promises of political and electoral reforms, of improving the rule of law and respect for human rights, of ensuring independence of judiciary and rooting out corruption.²⁶

German Chancellor Angela Merkel, on the other hand, spoke to Vladimir Putin to wish him success in his third term. French President Nicolas Sarkozy was perhaps the most fulsome in his reaction, congratulating Putin personally in a letter posted on the French President’s website: “I offer you all of my congratulations and all the best wishes for Russia and the Russian people.”²⁷

EU has long been criticised in some quarters for failing to present a united front to Russia, particularly in relation to energy supplies. The divergence in responses to Putin’s re-election suggests that the EU’s relations with Russia are not about to become more coordinated, according to one analyst:

...once again the EU and the 27 Member States do not have a common voice. Some were muted, some were more welcoming, and others emphasized the irregularities. It

²¹ “Foreign Secretary comments on Russian presidential elections”, Foreign and Commonwealth Office press notice, 6 March 2012

²² “[Presidential Elections in Russia](#)”, Press statement, US State Department, 5 March 2012

²³ *ibid*

²⁴ “Russian election 'not democratic' says Jerzy Buzek”, *thenews.pl*, 5 March 2012

²⁵ “Russian riot police break up protest against Putin’s ‘skewed’ election victory”, *Daily Telegraph*, 6 March 2012

²⁶ “[Schulz on presidential elections in Russia](#)”, European Parliament press release, 5 March 2012

²⁷ “[Lettre adressée à Monsieur Vladimir POUTINE, Président élu de la Fédération de Russie](#)”, French Presidency Press release, March 2012

seems that EU-Russian relations will simply continue the way they have been since the arrival of Putin to power in 2000.²⁸

6 Putin's third term

The success of Vladimir Putin in the first round was no great surprise and he will probably see out his six year term. However, many analysts argue that his third term as President will not be like his first two terms. Then, Putin took over from the chaos of the Yeltsin years and was generally credited with restoring order. He also benefitted from a remarkable oil price rise from around \$25 per barrel in 1999 when he took over as acting president to about \$125 when he handed over to Dmitry Medvedev in 2008.²⁹

The third term will be characterised by a different Russia – one that seeks not only stability but also more genuine participation in the political system. The Putin government will also have to deal with a world without a constantly booming oil price: while prices are again high, no-one predicts another surge like the one that buoyed up the Russian economy from 1999 to 2008. Modernisation of the economy to reduce dependence on minerals is essential but goes hand in hand with political reform and will be difficult to implement.

6.1 Economic situation

Russia is facing a difficult economic outlook. While the country was included in the list of important emerging economies, the BRICs, and managed an annual GDP growth rate of some 7% in the first decade of the century, the Russian economy was badly affected by the 2008 financial crisis, suffering the worst recession of any G20 country in 2009. Since then, the economy has failed to regain its previous growth rate, managing expansion of between four and five per cent a year.³⁰

As part of his campaign for re-election, Mr Putin made a string of spending commitments that would add some \$160 billion to the Russian Federation's budget over the new President's six-year term.³¹ The pledges include a sharp increase in military spending and pay increases for teachers and doctors; the government has pushed through an increase of a third in military, security and police spending for 2012.

The public spending may bring problems, however. In 2007, the federal budget could achieve balance with an oil price of less than \$30 a barrel. Soon, Russia will need an oil price closer to \$130 a barrel to stay in the black.³² Any sustained fall in the oil price would require drastic cuts in expenditure or massive borrowing, both of which would be extremely risky.

While the Russian government has committed itself to spending more, Russia's declining population means that demand for public spending will increase as working population whose taxes help pay for it decreases. With very high and rising levels of alcohol consumption and a severe problem with smoking, male life expectancy at birth is only 62.³³ Not only does that mean that the labour force is shrinking: absenteeism and low productivity also limit the prospects for economic growth.³⁴ Health problems could even present a

²⁸ Maxim Larive, "[European Reactions to Putin's election – Business as Usual](#)", Foreign Policy Association blog, 7 March 2012

²⁹ [Oil Prices](#), House of Commons Library briefing, February 2012

³⁰ CIA World Fact Book

³¹ "[Post-Election Russia Faces Fiscal, Reform Challenges](#)", *Fitchratings.com*, 5 March 2012

³² "The beginning of the end of Putin", *Economist*, 3 March 2012

³³ World Health Organisation : [Russian Federation](#) [accessed 2 April 2012]

³⁴ Patricio Marquez and others, "[Adult Health In The Russian Federation: More Than Just A Health Problem](#)", *Health Affairs*, July/August 2007, p1045

national security problem as the number of males of conscription age is set to decline sharply in the next few decades and some remote areas become depopulated.

The difficult situation in which Russia finds itself was summed up recently in an article for *International Affairs*:

Russia at present competes neither with the developing nor with the developed countries, lacking both the labour resources and the technological skills. How to overcome these inadequacies is the most important challenge facing Russia today, and one to which the nation has to find its own distinct answer.³⁵

6.2 Corruption and the rule of law

The failure of Russia's system to ensure the rule of law and protect citizens from rampant corruption and abuse of power undermines competition, discourages investment and stifles innovation. In Transparency International's Corruption Perceptions Index for 2011, Russia shares the same ranking as Nigeria: 143rd position out of 182.³⁶

Domestic investment is hampered because the rule of law is so weak. The case of Mikhail Khodorkovsky is the most high-profile example of the political challenge to business interests. Khodorkovsky was Russia's richest man, controlling the oil company Yukos. He was charged with fraud and sentenced to five years in prison. The government also took action against Yukos that ended in the collapse of the Yukos share price and the state regaining control of important oil assets. Khodorkovsky was given a further sentence in 2010 and is now scheduled to be released in 2017.

It is widely thought that Khodorkovsky's political activities and great wealth were taken as a challenge by Vladimir Putin, and that the former oligarch's downfall was a very public demonstration of the power of the Kremlin: those who threatened the central authority should not expect the rule of law or their individual rights to protect them.³⁷ This tactic may have protected the present regime from potential challenges from powerful business interests, but it must also have discouraged investment in the Russian economy, slowing the much-needed process of modernisation.

Russia's economic prospects are also weakened because it needs foreign investment and technology, particularly to enhance mineral extraction. But to attract that, it needs to provide transparency, stability, security and property protection for potential foreign investors. The collapse of oil company BP's deal with the Russian company Rosneft showed how difficult it is for foreign companies to handle the complexities of the Russian mix of business and politics.

Despite Dmitri Medvedev's denunciation of "legal nihilism" and "eternal corruption" in Russia before he became President, there appears to have been little progress in strengthening the rule of law and fighting corruption, despite initiatives such as one promoted in 2011 which aimed to improve training of law enforcement officials.³⁸ One analyst says that improvement has been achieved by the appointment of Anton Ivanov as chairman of Russia's Supreme

³⁵ Sergey Aleksashenko, "Russia's economic agenda to 2020", *International Affairs*, January 2012

³⁶ Transparency International, [Corruption Perceptions Index 2011](#)

³⁷ An account of the unfair practices used in the trial of Khodorkovsky and other Yukos executives is given in [The circumstances surrounding the arrest and prosecution of leading Yukos executives](#), Resolution 1418 (2005) of the Council of Europe Parliamentary Assembly.

³⁸ "Medvedev Targets Russia's 'Legal Nihilism' With New Policy", *Bloomberg*, 4 May 2011

Arbitrage Court, the highest commercial court. Since Ivanov took over, the court has developed a track record of protecting property rights.³⁹

Nevertheless, the slogan chanted at some of the demonstrations – ‘United Russia, the party of crooks and thieves’ – shows how little faith some Russians still have in the rule of law under Putin. His return to the presidency could increase the personalisation of power and undermine legitimate institutions even further. Neither Russian nor foreign investors are likely to find this reassuring.

6.3 Reform

Many analysts, and indeed members of the Russian government including Putin and his ally Mr Medvedev, conclude that to deal with these problems, Russia needs to boost its growth rate and reduce its dependence on oil and gas exports. However, corruption, nepotism and the weak rule of law stand in the way of creating a more vibrant private sector in Russia.

Economic and political reform in Russia are very much linked, and with the political challenges to Putin’s rule unlikely to go away and political support likely if anything to erode, the circumstances do not seem conducive to a strong reform programme that would further reduce the Kremlin’s already weakening control. Although massive unrest is for most observers unlikely, many predict that the Kremlin will increasingly restrict opposition media sources and groups, while at the same time making some concessions to the new middle class opposition, allowing new opposition or quasi-opposition parties to be set up.

Ben Judah and Andrew Wilson of the European Council on Foreign Relations argue that Mr Putin will be even less able to reform Russia than he was in his first two terms, because he will be weaker:

Although Putin promised to reform Russia, the Putin system is too entrenched to change. Power in Russia is personalised and fused with property, Putin and his allies are mutually interdependent, and without Putin at the top, his friends’ assets are vulnerable, but without their support Putin is also vulnerable. Therefore neither can afford genuine political liberalisation, which would contest their control over the state or resources. In fact, a weaker Putin will be more dependent on elite loyalty, thus less able to cut into the oligarchic monopolisation that defines Russian corruption. A weaker Putin could also mean escalating corruption and capital flight by the Putin oligarchs as they sense his rule is coming to a close.⁴⁰

6.4 Foreign relations

Without the support of strong economic growth, and with declining public tolerance for his ‘managed democracy’, some worry that Vladimir Putin will resort to a populist, aggressive foreign policy, reversing whatever improvements in relations with the West under the Obama administration’s ‘reset’ policy.

That could signify further bitter confrontations over Georgia, Belarus and Ukraine, with a weakened West seemingly on the back foot. Analysts warn that armed conflict could flare up in many of the frozen conflicts in former Soviet states: the Nagorno-Karabakh situation is

³⁹ Christopher Granville, “Russia’s commercial courts: A bright spot” in “Three views on modernisation and the rule of law in Russia”, Centre for European reform, January 2012

⁴⁰ Ben Judah and Andrew Wilson, *The end of the Putin consensus*, European Council on Foreign Relations, March 2012, p4

volatile, relations with Georgia are far from fully stabilised after the war in 2008 over South Ossetia.

Russian cooperation with the West is also extremely valuable in Afghanistan, and unity on the Security Council helps the West to handle situations such as Syria and Iran. This cooperation could be harder to come by if Vladimir Putin plays the nationalist card.

Eurasian Union

Shortly after announcing that he would run for the presidency again, Vladimir Putin launched a proposal that would be a centrepiece of his presidential campaign: his plan for a Eurasian Union. The idea would be to create a common market from former Soviet states. It would be based on the three states that have already agreed to form a customs union – Russia, Kazakhstan and Belarus – with these countries forming the Eurasian Union by 2013. The common market would expand to include other former Soviet countries and deepen to become a political and currency union based on the EU model. Tajikistan and Kyrgyzstan were mentioned by Prime Minister Putin as being the next countries in line for membership, although it is not clear how enthusiastic they are about it. Meanwhile, Turkmenistan and Uzbekistan were not even mentioned as potential members.

Mr Putin described the integration process as the “future in the making” in an article in October 2011:

We are creating a huge market that will encompass over 165 million consumers, with unified legislation and the free flow of capital, services and labour force.⁴¹

The proposal is likely to become one of the defining themes of the upcoming presidency. But it will not be without its obstacles. Disputes in Russia’s neighbourhood, such as the argument over Nagorno-Karabakh (the Armenian-majority enclave within Azerbaijani territory) could keep certain countries out of a union’s embrace.

Mr Putin acknowledged the suggestion that a Eurasian Union might appear to be at odds with some countries’ strategy of moving closer to the EU. He denied that this was a problem, saying that the two blocs would increase cooperation, heading towards the idea of a common European space:

Some of our neighbours explain their lack of interest in joining forward-looking integration projects in the post-Soviet space by saying that these projects contradict their pro-European stance.

I believe that this is a false antithesis. We do not intend to cut ourselves off, nor do we plan to stand in opposition to anyone. The Eurasian Union will be based on universal integration principles as an essential part of Greater Europe united by shared values of freedom, democracy, and market laws.⁴²

The idea that the Eurasian Union can be complementary to the European Union is questioned by some. One specialist said that there was an inherent tension about the Eurasian Union as a pole within a multi-polar world, set up in opposition to the existing Euro-Atlantic area:

⁴¹ Vladimir Putin, “A new integration project for Eurasia: The future in the making”, *Izvestia*, 4 October 2011 ([English translation](#) provided on the Prime Minister of the Russia Federation website)

⁴² *Ibid.*

...Dmitry Medvedev has kept the option open of resolving the contradictions by a more substantive and meaningful integration of Russia with the Euro-Atlantic space, making initiatives for this that have been flawed but far from senseless. Putin promises, far more illogically, that his union will somehow help achieve this rather than its obvious role in adding a further obstacle to it.⁴³

Missile defence

US plans for installing ballistic missile defence systems in Poland and Romania could cause relations to deteriorate further next year. The US maintains that the missile defence stations are intended to counter the potential missile threat from Iran, while Russia insists that the Eastern European sites proposed are in the wrong place to deal with Iranian missiles. The Russian government also questions the logic of installing the missile defence system when the US has stated that Iran will not be allowed to gain a nuclear weapons capability. Russia therefore strongly opposes what it views as an attempt to neutralise its own nuclear defence capabilities.

NATO supply routes through the Central Asian states to Afghanistan need Russian approval and this is vital to the Afghan military action, particularly since poor relations with Pakistan led to the closure of the cheaper and faster Pakistani routes. The Northern Distribution Network that passes through Russia and Central Asia is vital to the NATO effort in Afghanistan (and its withdrawal) and could therefore offer powerful leverage to Russia over US missile defence plans.

However, although Russia wants to counter what it sees as US expansion into its sphere of influence, the Kremlin has an even greater interest than the US in ensuring that Afghanistan does not descend into terrorist-infested chaos. Such chaos would be quite likely to spread into Central Asia and to the Caucasus and threaten the Russian Federation.

In May 2012, there will be a NATO Summit in Chicago but there will be no NATO-Russia summit. Officially explained by the busy Russian schedule in May, when Vladimir Putin is due to be sworn in as President again, Russian absence at the meeting may be a protest at the failure to come to an agreement over missile defence. There is likely to be a meeting at the level of foreign ministers before the summer.⁴⁴

EU relations

The EU, beset by financial problems, is perhaps showing signs of fatigue when it comes to projecting its influence eastwards and EU opinion is divided on how to respond to Russia. Poland and other Central European countries have recently appeared to soften their traditionally wary reaction towards their eastern neighbour and former overlord.

In November 2011, German foreign minister Guido Westerwelle and his Polish counterpart Radek Sikorski sent a joint letter to EU High Representative Catherine Ashton. The letter urged the EU to help in modernising Russia's economy ensure reliable supplies of Russian energy rather than focus on democracy:

Although the 'swapping of posts' between President Dmitry Medvedev and Prime Minister Vladimir Putin is not encouraging, we must stay the course to intensify ties with Russia and overcome political and economic lethargy.⁴⁵

⁴³ Ira Strauss, "Putin's United States of Eurasia; Contradictory and confused", *European Voice*, 27 October 2011

⁴⁴ "Russia-NATO summit unlikely to be held in 2012 – Kremlin source", *Itar-Tass News Agency*, 23 March 2012

⁴⁵ "Putins return poses questions for EU strategy", *EUobserver*, 14 November 2011

Poland remains wary of Russia, but the Polish Foreign Minister said after the result:

I think that Vladimir Putin has shown that he has the support of a very significant part of Russian society. Putin will be Russia's president for six years, we want to have good relations with Russia.⁴⁶

Visas

France and Germany, who tend to favour close relations with Russia, have reportedly suggested that the EU move towards visa-free travel to the EU for Russian citizens. The question of visas is the most immediate problem for Russia, reportedly because members of the elite want the ability to escape Russia quickly should the political climate turn against them. The two sides agreed on 15 December a plan to move towards visa-free travel, involving steps such as the introduction of biometric passports and the implementation of measures to prevent illegal immigration.⁴⁷ In a perhaps linked development, the announcement came at the same time as Russia pledged to invest 10 billion dollars in the IMF, with a view to easing the euro crisis.

Others have taken a less positive view. Guy Verhofstadt, leader of the liberal group in the European Parliament, for example, has said that Russian MPs should be excluded from visiting the European Parliament in an official capacity because they have no democratic legitimacy.

6.5 Sergei Magnitsky

One growing problem for Russia's foreign relations is the controversy over the Russian lawyer Sergei Magnitsky, who represented a UK-based financial services firm Hermitage Capital Management operating in Moscow. Hermitage was accused of tax fraud but Magnitsky's investigations led him to believe that Russian state officials had been involved in stealing millions of pounds of taxes that Hermitage had paid.

Magnitsky was arrested in 2008 and held without charge for almost a year (the maximum period of detention without trial under Russian law). He died in November 2009 after being treated increasingly badly in prison and being denied medical treatment that might have saved his life.

The lawyer's death has raised the profile of allegations of the scale of the problem of corruption in the Russian state; the fact that he was working for a Western firm has probably increased the publicity surrounding the events, and there has been a strong reaction from around the world.

On 16 December 2010, the European Parliament passed a resolution calling for the Russian authorities to investigate the matter and for possible EU travel restrictions and asset freezes on those involved:

[The European Parliament] Urges the Russian judicial authorities to press ahead with the investigation of the death on 16 November 2009 of Russian lawyer Sergey Magnitsky; deplores that this case is still an outstanding example of the serious shortcomings within the country's judicial system; regrets the situation that, while human rights defenders are often subject to a harsh treatment and trials that ignore the Russian Federation's Code of Criminal Procedure (such as its Article 72 in the case against Oleg Orlov of Memorial for slander), those guilty of aggressions against and

⁴⁶ "Polish foreign minister winds up US visit, *PAP Newswire*, 9 March 2012

⁴⁷ "Russia-EU move towards visa-free travel", *Reuters*, 15 December 2011

even murder of human rights defenders, independent journalists and lawyers still too often enjoy impunity; calls on the Council, in the absence of positive moves from the Russian authorities to cooperate and investigate the case of Sergey Magnitsky, to insist that the Russian authorities bring those responsible to justice and to consider imposing an EU entry ban for Russian officials involved in this case, and encourages EU law enforcement agencies to cooperate in freezing bank accounts and other assets of these Russian officials in all EU Member States.⁴⁸

The Canadian and US legislatures have passed bills on the case,⁴⁹ and on 7 March 2012, the House of Commons passed a motion calling on the government to bring forward legislation:

[...] providing for a presumption in favour of asset freezes and travel bans for officials of the Russian state and other countries, wherever the appropriate UK authorities have collected or received evidence that establishes that such officials:

- (a) were involved in the detention, physical abuse or death of Sergei Magnitsky;
- (b) participated in efforts to conceal the legal liability for the detention, abuse or death of Sergei Magnitsky;
- (c) committed the frauds discovered by Sergei Magnitsky; or
- (d) are responsible for extrajudicial killings, torture or other gross violations of human rights committed in Russia or any other country against any individual seeking to obtain, exercise, defend or promote basic and internationally recognised human rights, including those set out in the International Covenant on Civil and Political Rights 1966.⁵⁰

While the government has yet to pass any such legislation, it has already discretely introduced visa bans on certain Russian officials connected with the case.⁵¹

7 Outlook

If it will be difficult for reform to be imposed from above, there is a possibility that Russia will embark on a new course as a result of crisis and a breakdown of Putinism. Lilia Shevtsova argues in a report for Chatham House that the nature of personal power in Russia means that the system itself cannot initiate change:

Russia finds itself caught in a trap: the 2011–12 parliamentary and presidential elections are intended to perpetuate a personalized power system that has become the source of decay. However, the top-down model of rule and its ‘personifier’ – Vladimir Putin – are already rejected by the most dynamic and educated urban sectors of the population. It is hard to predict what consequences this will have: will it lead to the system’s disintegration and even to the collapse of the state through growing rot and atrophy, or will the last gasp of personalized power end with a transformation that sets Russia on a new foundation? One thing is apparent: transformation will not happen in

⁴⁸ [European Parliament resolution of 16 December 2010](#) on the Annual Report on Human Rights in the World 2009 and the European Union’s policy on the matter (2010/2202(INI)), 16 December 2011

⁴⁹ [Canadian Bill C-339](#): an Act to condemn corruption and impunity in Russia in the case and death of Sergei Magnitsky, 28 October 2011; US [Sergei Magnitsky Rule of Law Accountability Act of 2011](#)

⁵⁰ HC Deb 7 March, c951

⁵¹ “UK secretly bans 60 Russians over lawyer’s death”, *Financial Times*, 23 October 2011.

the shape of reform from above or within the system; if it does occur it will be the result of the deepening crisis and pressure from society.⁵²

Some opposition figures in Russia say that the EU should stand firm against Russian abuses, because the situation in the country is becoming unsustainable. Mikhail Kasyanov, former Prime Minister and no ally of Putin's said:

The country is becoming a shambles and an Arab Spring situation is becoming inevitable. The [economic] situation is very fragile. Oil needs to stay at \$120 a barrel to balance the budget. If it falls to \$60 or \$70, then our currency will be devalued by 30 percent.⁵³

On the other hand, Sir Anthony Brenton, British ambassador to Moscow from 2004 to 2008, said that the regime would not fall in the foreseeable future:

We are almost certainly not seeing a "Russian Spring". But the events of the last few days have cracked the plinth on which the regime stands. It may be years rather than months, but it is only a matter of time before Russia takes its rightful place among the other European democracies.⁵⁴

Although the Kremlin will probably not resort to mass repression, concessions so far offered to the opposition will not be enough to placate it. How Putin and the present authorities manage the discontent will be crucial for 2012, which promises to be the most interesting year politically in Russia for some time.

Ben Judah and Andrew Wilson argue that Russia's relations with the West are likely to become more difficult as the Putin government seeks to deal with its problems from a position of weakness:

This means Moscow is likely to be more withdrawn and less co-operative on foreign-policy issues, from frozen conflicts to the Middle East. Russia's obstructive Syria policy has been presented domestically as standing up to the West. Putin's pre-election article "Russia in a changing world" has made it clear there is unlikely to be a new Putin in foreign policy. In it, he highlights threats posed by "pseudo-NGOs" and attacks the language policies of Estonia and Latvia and the West's "punishment" of countries in which it intervenes. He does not mention the word "reset" in relation to the US.⁵⁵

At least one commentator has argued that Vladimir Putin will struggle to complete his six-year term. Edward Lucas writes that corruption means that vested interests may threaten his rule before then:

This victory is more ashes than diamonds. But it would be simplistic to expect clear-cut change. The opposition is still too weak to win; the regime has too much at stake to surrender. Thanks to corruption, it cannot mount a real crackdown. The big danger for Mr Putin is that his ex-KGB cronies will see him as a liability more than an asset. His presidential term lasts six years in theory. I give him two.⁵⁶

⁵² Philip Hanson, James Nixey, Lilia Shevtsova and Andrew Wood, *Putin Again: Implications for Russia and the West*, Chatham House, February 2012, p9

⁵³ *Ibid.*

⁵⁴ Tony Brenton, "Moscow protests: is this the start of the Russian Spring?", *Daily Telegraph*, 12 December 2011

⁵⁵ Ben Judah and Andrew Wilson, *The end of the Putin consensus*, European Council on Foreign Relations, March 2012, p4

⁵⁶ Edward Lucas, "Putin's victory is more ashes than diamonds", *Sunday Telegraph*, 4 March 2012

One satirical Russian comedian, popular on television before being pushed out under Putin, said that the jeers for Putin at a wrestling match in November marked a true turning point, because these were ordinary people, not the liberal middle class of Moscow and St Petersburg. After the event, video of which was seen across Russia on You Tube, he said:

After these significant boos and the cry of 'Get lost,' the end for Putinism could be very near or very far. It makes no sense to guess the timing. But it's a fact that a point of no return has been passed.⁵⁷

Politically, then, Russia has woken up and is unlikely to go back to sleep: the crisis of legitimacy of Putinism will not go away by itself. Some steps have been taken to make Russia's democracy more genuine and less managed, and these may lead to significant invigoration of the political scene. But with a presidency weakened by falling public approval and economic difficulties, the next few years could equally see the government clamp down on dissent.

What does seem clear is that it will be difficult for a weakened presidency to carry out the thorough reforms necessary to introduce fairness and openness in both the political and economic spheres.

⁵⁷ David Remnick, "The Civil Archipelago: How far can the resistance to Vladimir Putin go? *New Yorker*, December 19, 2011