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USDOC FOR 4231/IEP/EUR/OEERIS/RISD/JBROUGHNER
TREAS FOR LEE

E.O. 12958: N/A

TAGS: ECON, PGOV, RS

SUBJECT: PUTIN'S ECONOMIC AGENDA: A REVIEW OF HIS PRE-
ELECTION STATEMENTS

1. (U) THIS CABLE IS SENSITIVE BUT UNCLASSIFIED.
PLEASE PROTECT ACCORDINGLY - NOT FOR INTERNET
DISTRIBUTION.

2. (SBU) SUMMARY: WHILE ACTING PRESIDENT PUTIN HAS
HELD BACK FROM PRESENTING A COMPREHENSIVE ECONOMIC
PROGRAM BEFORE SUNDAY'S ELECTION, HE HAS COMMENTED

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EXTENSIVELY ON ISSUES RELATING TO THE RUSSIAN ECONOMY. THESE STATEMENTS -- SOME CLEARLY CAREFULLY CALCULATED, OTHERS MORE OFF THE CUFF -- SHOW A CANDIDATE WHO IS TRYING TO BE ALL THINGS TO ALL PEOPLE, BUT ALSO PROVIDE A HINT OF THE THEMES THAT ARE MOST IMPORTANT TO RUSSIA'S LIKELY NEXT LEADER. CHIEF AMONG THEM: THE NEED TO CREATE A STABLE AND ASSURED LEGAL ENVIRONMENT FOR FOREIGN AND OTHER INVESTMENT, TO COMBAT CRIME AND CORRUPTION, TO ASSURE THE EQUALITY OF ALL BEFORE THE LAW, TO REDUCE POVERTY, AND TO ENABLE RUSSIA TO STAND ON ITS OWN TWO FEET AND REDUCE ITS DEPENDENCE ON IMPORTS. WHILE PUTIN HAS EMPHASIZED HIS DESIRE TO AVOID MAKING PROMISES THAT HE CANNOT KEEP, HIS AGENDA IS EXTREMELY AMBITIOUS, AND WILL BE DIFFICULT TO FULLY IMPLEMENT. END SUMMARY.

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3. (SBU) NO PLATFORM: DESPITE ON AGAIN OFF AGAIN PROMISES THAT HE WOULD DISSEMINATE A PLATFORM BEFORE THE MARCH 26 ELECTION, PUTIN HAS DECIDED AGAINST DOING SO, CLEARLY CALCULATING THAT HE HAS MORE TO LOSE THAN GAIN SETTING UP SUCH A TARGET. IN INTERVIEWS, PUTIN HAS FORTHRIGHTLY REFUSED TO DISCUSS IN DETAIL HIS POST-ELECTION PLANS. "WAIT AND SEE," HE TOLD INTERVIEWERS FROM "KOMMERSANT" IN AN INTERVIEW EARLIER THIS MONTH. IN ADDITION, PUTIN HAS REFUSED TO PARTICIPATE IN DEBATES OR AIR TELEVISION COMMERCIALS, ARGUING THAT TO DO SO WOULD FORCE HIM INTO "CROSSING THE LINE" TO MAKE "UNFULFILLABLE PROMISES," SOMETHING HE IS UNWILLING TO DO. INSTEAD, HE TOLD RADIO MAYAK ON MARCH 18, AS CHAIRMAN OF THE GOVERNMENT AND ACTING PRESIDENT, "I MUST FULFILL THOSE PROMISES THAT ARE GIVEN IN OUR LEGISLATION," AND WHERE POSSIBLE, "EXCEED THESE PROMISES."

4. (SBU) CAMPAIGNING BY DOING: BEYOND THESE OCCASIONAL MEDIA APPEARANCES, PUTIN'S CHOSEN VEHICLE FOR COMMUNICATING A MESSAGE TO THE RUSSIAN PEOPLE HAS BEEN THROUGH CARRYING OUT HIS PRESIDENTIAL RESPONSIBILITIES, PROFITING FROM THE WALL-TO-WALL TELEVISION COVERAGE THAT ACCOMPANIES HIS EVERY MOVE. IN THESE PUBLIC APPEARANCES, PUTIN HAS MADE EXTENSIVE, THOUGH STILL LARGELY GENERAL, COMMENTS ABOUT RUSSIA'S ECONOMY. WHILE CLEARLY TAILORED TO WHAT HIS AUDIENCES WISH TO HEAR, TAKEN TOGETHER THEY ALSO PROVIDE INSIGHT INTO PUTIN'S BASIC ECONOMIC MINDSET.

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SOCIAL SECURITY

5. (SBU) A RECURRENT POINT OF PUTIN'S HAS BEEN THE NEED TO ADDRESS POVERTY IN RUSSIA. THE THEME HAS OBVIOUS RESONANCE, GIVEN THE DETERIORATION OF LIVING STANDARDS IN RECENT YEARS, AND THE FACT THAT A QUARTER OR MORE OF ALL RUSSIANS LIVE AT OR BELOW THE POVERTY LEVEL. PUTIN HAS BEEN CAREFUL, HOWEVER, TO STRESS THAT THERE IS NO MAGIC WAND HE CAN WAVE TO, AS HIS RIVAL GENNADIY ZYUGANOV HAS PROMISED, RAISE PENSIONS 100 PERCENT OR MORE. INSTEAD HE HAS KEPT HIS PROMISES REALISTIC, NOTING THAT THE GOVERNMENT RAISED PENSIONS NOT ONLY BY THE INITIALLY-PROMISED 12 PERCENT, BUT BY 20 PERCENT, "OVER-FULFILLING" HIS PROMISE AND HELPING FIXED-INCOME PENSIONERS CATCH UP A BIT WITH INFLATION. THIS, HE TOLD RADIO MAYAK, IS "HOW ONE MUST ACT," RATHER THAN OVERPROMISING TO WIN VOTES. PUTIN HAS MADE MORE SPECIFIC COMMITMENTS TO PARTICULAR GROUPS, SUCH AS WORLD WAR TWO VETERANS, WHO WILL RECEIVE THREE MINIMUM PENSIONS IN APRIL, BUT ALL ARE CLEARLY WITHIN THE REALM OF POSSIBILITY DUE TO HIGH PENSION COLLECTIONS. MORE GENERALLY, HE HAS CAUTIONED HIS LISTENERS THAT THE PROBLEM OF INCREASING SOCIAL SECURITY CAN ONLY BE RESOLVED BY ENCOURAGING ECONOMIC GROWTH IN RUSSIA, NOT BY EXPANDING FEDERAL BUDGET EXPENDITURES.

IMPROVED INVESTMENT CLIMATE

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6. (SBU) PARTICULARLY NOTEWORTHY IN RECENT WEEKS HAS BEEN PUTIN'S FOCUS ON THE RUSSIAN INVESTMENT CLIMATE AND THE NEEDS OF FOREIGN AND OTHER INVESTORS. THIS HAS BEEN PARTICULARLY STRIKING, GIVEN THE LIMITED ELECTORAL WEIGHT OF GROUPS FOCUSED ON THIS ISSUE. PUTIN'S OPENNESS TO MEETING WITH BUSINESS AND RECEPTIVENESS TO ITS NEEDS HAVE WON GUSHING TRIBUTES FROM A RANGE OF FOREIGN BUSINESS LEADERS. IN ASSORTED MEETINGS, PUTIN HAS REPEATEDLY STRESSED LIBERAL ECONOMIC THEMES. ON MARCH 13, FOR INSTANCE, HE TOLD THE FOREIGN INVESTMENTS CONSULTATIVE COUNCIL THAT RECENT MONTHS HAVE SHOWN THAT THE KEY TO ECONOMIC GROWTH IS "AN INCREASE IN THE SCOPE OF ECONOMIC FREEDOM." HE VOWED TO CONTINUE THAT TREND IN THE FUTURE, BY CLARIFYING THE "RISKS" COMPANIES FACE IN RUSSIA THROUGH FIGHTING CORRUPTION, COMPLETING RUSSIA'S TAX AND INVESTMENT CODES, AND DEFENDING INVESTOR RIGHTS AND COMPANIES' INTELLECTUAL PROPERTY RIGHTS. DURING A BREAK IN THE FORUM, HE COMMENTED THAT "UNCONDITIONAL GUARANTEES OF OWNERSHIP RIGHTS" IS ONE

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OF THE KEY CHALLENGES FACING THE RUSSIAN GOVERNMENT.

SMALL BUSINESS

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7. (SBU) IN OTHER FORUMS, PUTIN HAS TALKED OF THE NEED TO REDUCE RUSSIA'S TAX BURDEN AND THE OPPRESSIVE WEIGHT OF THE RUSSIAN BUREAUCRACY, PARTICULARLY FOR SMALL BUSINESS. HIS PRESCRIPTIONS FOR RESOLVING SUCH PROBLEMS HAVE OCCASIONALLY BETRAYED A "STATIST" MENTALITY, HOWEVER. TO LIMIT THE "INTERMINABLE AND ENDLESS CHECKS" TO WHICH SMALL BUSINESS IS SUBJECTED, PUTIN TOLD AN ALL-RUSSIAN CONFERENCE ON SMALL BUSINESS IN MID-MARCH THAT HE SUPPORTED CREATION OF A SINGLE "SUPER-MINISTRY" TO CENTRALIZE ALL SUCH CHECKS IN A SINGLE ORGANIZATION. SOME OBSERVERS ATTRIBUTED THE SUGGESTION TO PUTIN'S PAST LEADERSHIP OF THE PRESIDENTIAL CONTROL ADMINISTRATION, WHICH PLAYED A SIMILAR ROLE. THE ACTING PRESIDENT'S OTHER SUGGESTIONS WERE MORE REASSURING TO HIS AUDIENCE, HOWEVER, INCLUDING THE NEED FOR THE STATE TO ESTABLISH AND OBSERVE UNIFORM RULES OF PLAY IN THE MARKET AND TO HELP FOSTER DEVELOPMENT OF A RUSSIAN MIDDLE CLASS.

LAW, EQUALITY, AND THE OLIGARCHS

8. (SBU) THIS PRINCIPLE OF EQUALITY BEFORE THE LAW, TOGETHER WITH THE NEED TO BATTLE CRIME AND CORRUPTION, REMAINS A MAINSTAY OF PUTIN'S PUBLIC PRONOUNCEMENTS. THE HEAD OF RUSSIA'S JUDICIARY EMERGED FROM A MEETING WITH PUTIN LAST WEEK NOTING THAT THE ACTING PRESIDENT FULLY UNDERSTOOD THE COURTS' NEEDS, AND WAS COMMITTED TO INCREASING THE PAY OF JUDGES AND ENSURING THAT THE COURTS HAD THE SUPPLIES NEEDED TO DO THEIR JOB.

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RECENTLY, HOWEVER, THE ISSUE OF EQUALITY HAS ASSUMED A SHARPER TONE IN PUTIN'S UTTERANCES, AS HE HAS ATTEMPTED TO ASSURE HIS LISTENERS THAT HE WILL BE INDEPENDENT OF RUSSIA'S NOTORIOUS OLIGARCHS, WHOSE ROLE IN HIS ASCENDANCY REMAINS THE SUBJECT OF WIDESPREAD SPECULATION. WHILE INITIALLY CRYPTIC ON THE SUBJECT-- SAYING THAT ALL OLIGARCHS WOULD BE KEPT "EQUIDISTANT" FROM THE STATE-- PUTIN SOON TOUGHENED HIS RHETORIC. HE WAS PARTICULARLY BLUNT IN HIS RADIO MAYAK INTERVIEW,

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STRESSING THAT WHILE HE WOULD RELATE TO LEGITIMATE BIG BUSINESSMEN JUST AS HE DOES TO THOSE OF MORE MODEST SCALE, OLIGARCHS-- WHOM HE DEFINED AS THOSE WHO SEEK TO "MESH" THE STATE AND CAPITAL-- WILL NO LONGER EXIST AS A CLASS.

SELF RELIANCE

9. (SBU) FINALLY, PUTIN'S MOST FREQUENT UTTERANCES HAVE STRESSED THE NEED FOR RUSSIA TO BE SELF-RELIANT AND STAND ON ITS OWN TWO FEET. IN HIS COMMENTS TO FOREIGN INVESTORS, PUTIN WAS CAREFUL TO NOTE THAT FOREIGN INVESTMENT ALONE COULD NOT REVIVE RUSSIA, THAT MOBILIZATION OF RUSSIA'S OWN RESOURCES, AND PARTICULARLY RETURN OF CAPITAL THAT HAS FLOWN ABROAD, IS MORE CRITICAL. TO THIS POINT, HE HAS ADDED THE NEED FOR RUSSIANS TO SUPPORT DOMESTIC PRODUCERS, NOTING IN VORONEZH THAT AEROFLOT SHOULD BUY ILYUSHIN PLANES RATHER THAN BOEINGS. HE ALSO SAID THERE THAT RUSSIA

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CAN STOP IMPORTING SUGAR AND SOME OTHER FOOD PRODUCTS.
"WE WILL NOT CLOSE OUR MARKET COMPLETELY," HE
EXPLAINED, BUT "MUST HAVE A CLEARER POLICY TO PROTECT
DOMESTIC PRODUCERS." WHILE THESE COMMENTS PROVOKED
CONSTERNATION IN TRADING CIRCLES AND SKEPTICAL COMMENT
IN SOME NEWSPAPERS, THEY PLAYED WELL AMONG THE GENERAL
PUBLIC, AND PARTICULARLY AMONG THE RUSSIAN WORKERS TO
WHOM THEY WERE ADDRESSED.

COMMENT

10. (SBU) WHILE MOST OF PUTIN'S PRE-ELECTION COMMENTS
ARE CLEARLY (AND UNSURPRISINGLY) CALCULATED TO APPEAL
TO HIS LISTENERS, THEY DO PROVIDE A NUMBER OF HINTS TO
HIS FUTURE PROCLIVITIES, DESPITE HIS OUTRIGHT REFUSAL
TO DISCUSS MOST SPECIFIC MEASURES. MOST INTERESTING
HAS BEEN HIS CONCERTED PITCH TO FOREIGN INVESTORS.
THERE IS LITTLE POLITICAL GAIN IN SUCH COMMITMENTS FOR
PUTIN, GIVEN THAT THE PORTION OF THE ELECTORATE ATTUNED
TO SUCH ISSUES IS RELATIVELY SMALL, UNLESS HE HOPES TO
USE HIS PRESUMED VICTORY TO CLAIM A MANDATE FOR
CONTINUED PURSUIT OF LIBERAL REFORMS AIMED AT IMPROVING

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RUSSIA'S INVESTMENT CLIMATE. CONVERSELY, BY COURTING
FOREIGN INVESTORS, HE RISKS EXPOSING HIMSELF TO CHARGES
HE MIGHT "SELL OUT" RUSSIA. HIS STRONG NATIONALIST
POSITIONING HAS PERHAPS HELPED FORFEND SUCH ATTACKS
FROM THE LEFT.

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11. (SBU) COUNTERBALANCING THESE LIBERAL LEANINGS, HOWEVER, ARE OCCASIONAL ANACHRONISTIC STATEMENTS, SUCH AS THE SUGGESTION OF A NEW MINISTRY OF CONTROL FOR BUSINESS. A NUMBER OF ECONOMISTS WHO HAVE BEEN TO GREATER OR LESSER DEGREES CLAIMING TO BE ADVISING HIM, ARGUE THAT WHILE PUTIN IS NO ECONOMIST, HE DOES FUNDAMENTALLY BELIEVE IN MODERNIZATION. THE EXTENT TO WHICH HIS CONCEPT OF MODERNIZATION TRANSLATES INTO THE KIND OF REFORM WHICH HAS SO FAR PROVED ELUSIVE IN RUSSIA REMAINS THE BASIC ISSUE, BUT SO FAR AT LEAST PUTIN'S REFUSAL TO "OVERPROMISE" HAS ENABLED HIM TO AVOID THE TRAPS AN ELECTION CAMPAIGN POSES. END COMMENT.

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