

Putting the boot in Putin

Written by The Conversation

Sanctions work. Russia's problems may be manifold and closely related to the precipitous decline in the price of oil, but sanctions have played an important part in bringing Russia to its economic knees, too.

For those commentators who were urging Barack Obama to initiate a more dramatic, military response to Russia's recent revanchism, this episode should provide a salutary reminder about the benefits of patience and perspicacity.

There is, of course, absolutely no guarantee that things will end well despite the apparent efficacy of an economic rather than a military response to Vladimir Putin's geopolitical ambitions. His domestic popularity has largely been based on restoring Russian greatness, standing up to the west, and a number of other improbable claims that went over well when living standards were rising.

Now, however, the basis for the Russian revival looks as unsustainable as the resource boom that fuelled it.

[As we know only too well in Australia, any country that hitches its collective fate to the price of volatile mineral and energy prices is asking for trouble, especially when little effort is made to diversify economically and invest for the future. What makes Russia's predicament especially acute, however, are the geopolitical implications of largely unanticipated developments like the American fracking revolution.

Putin and the oligarchs he has helped to enrich may have been forgiven for not foreseeing the transformation of global energy markets, perhaps, but they should have been more alert to the possible impact of sanctions. The reality is that Russia, like just about every other state bar North Korea, is highly dependent on, and locked-into, complex economic regimes over which they can exercise very little influence.

Russia needs the price of oil to be over \$US100 to break even. Not only is it currently approaching half of that, but it is taking the rouble down with it. For Russian banks with loans that need to be serviced in foreign currencies, this is a nightmarish prospect.

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The Russian central banks decision to dramatically jack up interest rates in the middle of the night did nothing to help the rouble and reinforced the impression of panic and desperation as the authorities try to keep control.

No doubt Putin will blame the 'the west' for his misfortunes. To some extent he's not wrong. 'Smart' sanctions that have targeted Putin cronies have been painful, and the bill that Congress recently passed will increase the pressure on Russia's already weakened economy – and on the long-suffering Russian masses.

Unfortunate as this may be, it is rather the point. The hope is that Putin's popularity will rapidly erode as the reality of sanction-induced economic pain takes hold amongst the general population. There are plenty of signs that the economy is tanking, but not necessarily inducing a similar haemorrhaging of support for Putin – thus far.

If and when Putin's popularity does collapse, the big question will be how he – and his coterie of supporters – respond to an unprecedented economic and political crisis. After all, Putin has been very lucky thus far and his presidencies have coincided with a long-term and seemingly inexorable increase in resource and energy prices.

It is not inconceivable that elite level support for Putin could crumble, too. Authoritarian, patronage-based regimes are difficult to sustain when there is less plunder to go round and key cronies are feeling the pain. Putin's recent state of the nation address did little to reassure his increasingly nervous supporters and was greeted with only polite applause.

Putin clearly had a knack of responding to, and benefiting from, the sense of humiliation that has gripped so many in Russia since the fall of the Soviet Union. But it is far from clear that either he or his supporters have the skills or the vision to cope with an immediate economic crisis and a possibly permanent transformation in the value of Russia's principal resource and energy exports.

The great worry is that facing a possibly direct threat to his personal survival, Putin may seek to play the oldest card available to leaders in a jam – especially autocratic ones with fading personality cults. Blame some convenient foe or other and distract the masses with an external conflict.

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There is, of course, one readily to hand in Ukraine. The problem with sanctions is that while they may work, there is no predicting their impact. South Africa and Iran suggest they can be the best way of peacefully changing behaviour. North Korea reminds us there are limits to this process.

We must hope Putin's calculations really do include the fate of the wider Russian population, and not just himself and his cronies. Perhaps the plutocrats will find a more pliable autocrat to oversee Russia's tottering ship of state.

Mark Beeson does not work for, consult to, own shares in or receive funding from any company or organisation that would benefit from this article, and has no relevant affiliations.

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