

Russia's Putin could go 'overnight' without reforms-economist

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By Jason Bush

MOSCOW (Reuters) - Russian President Vladimir Putin, who faces the biggest protests of his 12-year rule, could lose power overnight if the oil price sinks and he fails to reduce corruption, a leading Russian economist said on Monday.

Sergei Guriev, Rector of the New Economic School in Moscow, said the former KGB spy was in little danger in the near future if the price of oil, Russia's main export commodity and a vital revenue source, remained over \$100 per barrel.

But he said political upheaval could follow swiftly if the oil price sank and Putin, back in the Kremlin since May, failed to improve the investment climate or tame the corruption and bureaucracy that have plagued Russia for centuries.

"We all lived through the Soviet Union - which was forever until it was no more ... These systems change very quickly," Guriev told the Reuters Russia Investment Summit, recalling that few predicted the Soviet empire's sudden demise two decades ago.

"The regime may fall apart overnight, and in a way that we don't know. It may be in a peaceful way, it may be in a bloody way," said Guriev.

Putin, 59, has dominated Russia since he was first elected president in 2000 and an oil-fuelled economic boom helped keep him popular during his first two four-year terms.

He remained Russia's paramount leader when he stepped aside to become prime minister in 2008 because of constitutional term limits, and won almost two-thirds of the votes in a presidential election in March despite the protests in big cities.

Guriev is an active player in an "open government" initiative set up by Prime Minister Dmitry Medvedev that is pushing a business-friendly reform agenda, but also has ties to one protest leader, lawyer and blogger Alexei Navalny.

He said he thought Putin would heed the warnings before it was too late but must urgently improve the investment climate to keep credibility with the business community.

CORRUPTION FIGHT IS KEY

Large capital outflows, which reached \$80 billion last year, highlighted Russian investors' pessimism and the protests showed the dissatisfaction of the emerging middle class, he said.

Opinion pollsters say Putin's traditional support is holding up in the provinces but Guriev said: "I think (Putin) has already written off the Moscow middle class ... But the general public outside Moscow is also losing patience."

"If he didn't care, we wouldn't see all this repression," he said, referring to new laws that increase potential fines for protesters, tighten controls on the Internet and force lobby groups that receive funding from abroad to register with the authorities as foreign agents and undergo additional checks.

An anti-corruption drive would be a more effective way for Putin to disarm the opposition, which has made fighting graft a top demand, and help shore up his own popularity, Guriev said.

"If Putin fights corruption successfully, the opposition is gone," he said. "If Putin doesn't fight corruption, he's gone, and a new government will fight corruption."

Underlining the importance of economic growth to Putin's political fortunes, he forecast growth of 3 percent in 2013 - a relatively low level compared with recent years - but said that even this rate would depend on the oil price. Were the price to fall to \$60 per barrel, fiscal reserves would run out in two years, causing a crisis in the government's finances, he said.

The oil price at which Russia's budget balances has risen to above \$100 per barrel, from \$50-55 per barrel five years ago.

"The government is popular (with ordinary Russians) because it spends more and more and more," he said. "If the oil price were \$55, and the government could spend only what it can afford at \$55, I think Putin would be gone."

(Editing by Timothy Heritage)