Putin news conference highlights Russian crisis

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In his annual end-of-year news conference last Thursday, Russian President Vladimir Putin addressed an audience of nearly 1,400 journalists, speaking for approximately three hours. Despite his best efforts, the Russian leader could not hide the fact that the country's economy is unraveling and Moscow has no solution to the spiraling conflict with Washington.

In 2015, Russia's economy contracted by 3.7 percent, a fact noted by Putin in his remarks to the press. Real disposable incomes and industrial production have also declined substantially, and trade volumes are down. Inflation is running at around 12.3 percent. Capital flight, which in 2014 had reached $151 billion, will be about $60 billion in 2015.

One fact not noted by Putin is the country's official poverty rate, which, calculated on the basis of an absurdly low wage level of $112 a month per individual, rose from 12.6 last year to 14.1 percent. On the very day of the news conference, the Russian currency hit new lows against the dollar, falling 1.1 percent according to *Bloomberg*. Although the official unemployment rate stands at 5.6 percent, it is much higher in areas more remote from the country's major cities, such as the restive region of Dagestan, where unemployment is upward of 30 percent.

The collapse in world energy prices is shipwrecking the Russian economy. Previous government projections related to economic growth and the health of the federal budget were based on an estimated oil price of $100 a barrel. Over the course of the past year, these projections have been revised downwards based on a new estimate of $50 a barrel. But, as Putin sought to casually acknowledge in his exchange with reporters last week, the current price now stands at $38 a barrel.

Putin's insistence that "statistics show that the Russian economy has generally overcome the crisis, or at least the peak of the crisis, not the crisis itself," is belied by the very facts that he was citing. Furthermore, the government is gearing up to implement massive new cuts in social spending, continuing a process that has already witnessed the axing of funding for health care, education and other services, with the exception of the military.

Putin's observation that "we will have to make further adjustments" to the federal budget due to the collapse in oil prices is a warning of what is in store for the Russian working class. For years, advocates of fiscal austerity have insisted that Russia's pension system be targeted by slashing payouts to retirees and raising the retirement age. The fact that Russian life expectancy has risen to 71 years—a statistic held up by Putin last week as a sign of the improving welfare of Russia's population—will be utilized as a justification for extending the working age, which Putin acknowledged Thursday, "at some point we will have to do."

Russia's budget crisis, which is a twin product of the fall in global commodity prices and the efforts of the Western powers to sink the Russian economy through trade sanctions and currency speculation, is already leading to growing social tensions. Since mid-November, Russian long-haul truckers have been staging protests against the implementation of a new highway transit fee that the government claims is necessary to finance infrastructure repairs on the country's roads, but drivers insist is bankrupting them and being used to line the pockets of a top Russian oligarch.

Even as he sought to obfuscate the implications of the country's economic crisis, Putin adopted a belligerent tone toward Turkey and threatened Ankara with military retaliation over its decision to shoot down a

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Russian military jet that allegedly strayed into Turkish airspace during operations in Syria. Putin noted that Russia has now stationed air defense systems in the area and declared, “Turkish planes used to fly there all the time, violating Syrian air space. Let them try it now.”

When pressed on the question as to whether or not the US was behind the Turkish government’s actions, Putin indicated that this was likely, but refrained from stating that the attack on the Russian jet was carried out on direct order from Washington. “You asked if there is a third party involved,” he said. “We do not know, but if someone in Turkish leadership has decided to brown nose the Americans, I am not sure if they did the right thing. First, I do not know if the US needed this. I can imagine that certain agreements were reached at some level that they would down a Russian plane, while the US closes its eyes to Turkish troops entering Iraq, and occupying it. I do not know if there was such an exchange. We do not know. But whatever happened, they have put everyone in a bind.”

The “bind” that Russia faces in particular is tied to the fact that apart from resorting to military force, it has no answer to Washington’s intransigent hostility. The ruling oligarchy on whose behalf Putin speaks owes its ill-gotten wealth to the asset stripping of the former Soviet Union and the reintegration of the region into the world capitalist economy. Thus, even though the Putin regime grasps, and often makes reference to, the US’ desire to push Russia out of the Middle East and Central Asia, and ultimately break apart the country, it has no basis upon which to challenge American imperialism except by way of armed might.

This leads the Putin regime to vacillate between threats, accusations against the US for creating the spiraling disaster in the Middle East, and pleas for some sort of negotiated settlement. At last Thursday’s news conference, Putin accused the US of laying the foundations for the emergence of ISIS by destroying Iraq and then promoting the growth of Islamist forces through its relations with Turkey.

“The Turkish authorities are taking quite a lot of heat —not directly, though—for Islamising their country,” he said. “I am not saying if it is bad or good, but I admit that the current Turkish leaders have decided to let the Americans and Europeans know—yes, we are Islamising our country, but we are modern and civilised Islamists. Remember, what President Reagan said about Somoza in his time: ‘Somoza may be a son of a bitch, but he is our son of a bitch.’ Just keep it in mind, we are Islamists, but we are on your side, we are your Islamists. There may be such an overtone, but nothing good came out of what happened.”

The dangers posed to Russia by US support for Islamist forces are at the forefront of Moscow’s foreign policy concerns, as the Kremlin fears that the spillover into Central Asia and the north Caucasus of the Syria, Iraq and Afghan crises could fuel Islamic separatist movements on and within Russia’s borders.

Despite this, Putin continues to search for some sort of modus operandi within the existing state of affairs. The Russian president reiterated his support during the news conference for the United Nations Security Council resolution passed the next day that supposedly laid out a political solution to the Syrian civil war, despite the fact that it failed to address the fate of Russian ally Bashar al-Assad or clarify which groups fighting inside Syria are “terrorists.”

In the days following Putin’s news conference, in relation to the conflict between Russia and the West over Ukraine, Putin called once again for the US and its allies to change their understanding of Russia’s aim. “I’m convinced,” Putin stated, “that the positions of our western partners, European and American, are not bound up with the defense of the interests of Ukraine, but with an attempt to prevent the re-creation of the Soviet Union, and nobody wants to believe us that it is not our goal to re-create the Soviet Union.”

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