

Russia steps up political repression as economic crisis intensifies

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As the economic impact of anti-Russian sanctions is becoming increasingly felt in the country, the Putin government is intensifying political repression of critics. The Kremlin is concerned that a sharp economic downturn will provoke mass social opposition and frictions within the ruling class, which forces hostile to him will utilize to drive him from power and realize the “regime change” agenda that is openly advocated in Washington.

On Tuesday, a Russian court found Putin oppositionist Alexei Navalny guilty of contempt of court and multiple charges of fraud. The prosecutor is requesting that Judge Margarita Kotova sentence Navalny to 13 years in prison and slap him with a 1.2 million ruble fine for supposed theft of 350 million rubles from his Anti-Corruption Foundation.

He is already serving a 2.5-year term for parole violations. Navalny was taken into custody upon voluntarily returning to Russia in January 2021 after receiving treatment in Germany for alleged poisoning with the nerve agent Novichok, which the West insists was done at the direction of the Kremlin. This charge—and the poisoning with Novichok itself—has never been proven, and there are many forces that have benefited from his illness, not the least of which is Washington. The West has uniformly turned the right-wing, pro-market, immigrant-hating Navalny into an icon of democracy.

The extension of Navalny’s jail sentence was followed by news on Thursday that Anatoly Chubais, a longtime leading figure in Russian politics, adviser to President Putin, envoy for the Kremlin on climate policy, and recently board chairman of Rusnano, the state’s nanotechnology corporation, has quit the government over the Ukraine war. While reports suggest he has left the country, his whereabouts remain unclear.

Chubais’ abandonment of the Putin government is one of many signs that splits are emerging within the Russian elite. Several of the country’s leading oligarchs have publicly stated their opposition to the invasion of Ukraine and even used social media to display photos of Putin critic Boris Nemtsov, who was murdered in Moscow in 2015.

According to *Kommersant*, a business daily, is considering suspending gubernatorial elections slated to take place this September, either postponing them or placing the choice of governor in the hands of local legislatures. While there is an effort to window dress this action with the claim that it will be done due to the financial strain placed on regions for holding elections, as *Kommersant* reported, the “sociological” reason is that “unemployment, the shrinking of available consumer products, deficits of essential goods, and the growth of prices” are expected to significantly erode support for the government by the fall.

The backdrop to the deepening political crisis in Russia is growing signs that sanctions and the mass exodus of foreign corporations from the Russian market are taking a massive toll.

The Yale School of Management reports that in total 330 companies have either pulled out entirely from Russia or suspended operations, although the number is likely much higher. Authorities in Saint Petersburg stated that 400 foreign firms have departed from just that city alone in the last several weeks.

As a result, layoffs are mounting, with tens of thousands being “furloughed.” The aviation industry is being particularly hard hit, due to the suspension of much international air traffic to and from Russia and the closure of airspace. Moscow’s largest airport, Sheremetyevo Alexander S. Pushkin International Airport, has temporarily cut its workforce by 20 percent due to a 70 percent decline in activity at its facility. It has closed three terminals, two business lounges, three airstrips and an interterminal train, as well as frozen investment and ended all nonessential expenditures.

Krasnodar International Airport is furloughing 40 percent of its employees and paying them only two-thirds of their regular wages. Platov International Airport in Rostov is also shrinking its workforce, although by how much has not yet been reported. Urals Airlines announced that it is preparing lists of workers, including pilots and flight attendants, whose jobs will be placed temporarily on hold in order to “save”

the company. The charter airline Royal Flights has ceased operating entirely.

The auto industry, which has seen dozens of international firms pull out in recent weeks, is also facing a jobs crisis. AvtozVaz, which has plants in Izhevsk, Tolyatti, Khabarovsk and elsewhere, is furloughing thousands of workers for varying amounts of time—from a few days to a few weeks. They report that workers are being paid two-thirds of the “average” wage during that time.

Avtotor, the home to a BMW factory in Kaliningrad, is taking similar measures. There is an effort to cover up the consequences of the jobs crisis, with Avtotor officials stating that workers are being sent to health resorts during their downtime.

The federal government just released countrywide data on furloughs, with the statistical agency declaring that about 96,000 workers have temporarily been laid off. While the word “furlough” is being used everywhere, it is clear that given the state of the crisis many of these Rosstat positions will not be coming back soon, if ever.

The news outlet *RBC* reported that analysts are seeing the number of job vacancies in Saint Petersburg fall by between 8 and 24 percent, with the insurance, human resources and automotive industries seeing the biggest decline. In the last few weeks, 12,000 people, who listed themselves as formerly employed in the city at a foreign corporation that has now pulled out of Russia, have posted their resumes on the online job hunting site hh.ru. Restaurants, IT companies, auto plants and transportation firms, in particular, are all freezing hiring.

A March 21 article in *bne IntelliNews* cites a recent study that identifies Russia’s “pharmaceutical and chemical industries, aircraft and ship manufacturing, car manufacturing and plastics, and electronics” as being the most vulnerable to job losses because of the high percentage of firms that have been hit by sanctions. They predict that 6.2 million people in the transportation and storage sectors and 1.5 million in the finance and insurance sectors will face layoffs in the near term.

While attempting to hide and sugar coat the burgeoning disaster, authorities at the local and national levels are clearly aware of what is coming, with Putin himself acknowledging that unemployment and inflation “will” rise. Regional governments have been receiving hundreds of millions of rubles of financing to subsidize local companies’ wage obligations and to help keep workers on the books, as well as fund various efforts to support the “temporarily” unemployed.

Saint Petersburg, for instance, just announced plans to find work for the jobless in government-funded “social labor”—i.e., some form of community services. It will also

give enterprises up to 60,000 rubles per person to retain them on their payroll. They are preparing measures to handle the needs of as many as 40,000 workers.

One way in which the scale of the crisis is being hidden is that workers are being kept on the books but not being paid. Wage arrears are a growing problem, with the official total value of Russia’s unpaid salaries growing in February by 1.7 percent to 930.9 million rubles.

On Wednesday, Russian Prime Minister Mikhail Mishustin announced federal level plans to spend 437 million rubles from the country’s reserve fund on support for the unemployed and those in danger of losing their jobs but provided no further details as to how the money would be used.

However, inflation is rapidly eroding both workers’ wages and the support given to enterprises. In city after city, the cost of basic foodstuffs is rising even as the value of the ruble plummets. The price of sugar, of which Russia is a major exporter, has risen by 15 percent nationwide over just the last two weeks. In Yalta, which is on the now-Russian territory of Crimea, the local government has said it may nationalize the local food market in order to bring runaway prices under control.

Last Friday, Kremlin spokesman Dmitri Peskov warned against panic at the stores, telling reporters, “Russians have absolutely no need to run to the shops and buy up buckwheat, sugar and toilet paper.”

The Russian economic crisis is hitting the entire former Soviet sphere, in particular, parts of Central Asia dependent on remittances from family working in Russia. In Tajikistan, where the average monthly salary is \$250, the value of the money workers send home has fallen by one-third. And many Tajik workers have lost their jobs in Russia altogether, returning home to already jobless communities.



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