

Putin Echoes Economic Ideas of Rodina Bloc

by Rachel Douglas

The taxation of “natural rent,” Russian economist and Rodina (Homeland) bloc leader Sergei Glazyev said in a Dec. 18 interview with *Izvestia*, “has become a point in common, which practically all the parties support.” Not only the parties, but also the President: The financial news service RosBusinessConsulting (RBC) expressed the disquiet among raw materials magnates and financiers about Vladimir Putin’s intentions on the matter, in a Dec. 20 commentary titled, “Putin Wants To Redistribute Superprofits; The President’s Statement Heralds the Return to a Strong Paternalistic State.”

RBC meant Putin’s nationally televised call-in show the previous day, during which he took a question about whether increased taxation of oil industry revenues would not wreck the possibility of upgrading technology in the oil sector itself. (As a matter of fact, it is companies like Yukos Oil that have preferred pocketing earnings for shareholders, over investment in new technologies and finding new proven reserves.)

Putin’s answer echoed the arguments made by Rodina during the recent Duma election campaign. The President acknowledged it is a burning issue, saying, “There has been a lot of talk lately about the need to toughen taxation in the oil sector. There is a certain logic in this talk and it lies in the fact that our economic development is one-sided. . . . Our fuel and energy sector is developing faster than the manufacturing industry. Ultimately, this is negative for the fuel and energy sector too.”

Last year, Putin pointed out, the Russian government did propose to increase taxes on the oil and natural gas sectors, including the confiscation of so-called “superprofits”—revenue above a certain parity level. He said the goal had been to achieve the ratios that prevail in other oil-producing countries, where “20% of these profits would stay with the oil companies, and 80% would go to the state,” whereas in Russia, “the state and the oil companies share these profits 50-50.” Putin said that oil company lobbyists had blocked the measures, as well as proposals to increase export duties and taxes on the use of mineral resources. His estimate is that revenues could have been increased by around \$3 billion. At the same time, he stressed that a differentiated approach, taking into account the condition and technological requirements of specific oilfields, could protect the capacity of the industry and its development.

Again on Dec. 23, speaking at the Russian Chamber of Commerce and Industry, Putin said the government was studying how to redistribute natural resources earnings, using

either export duties or new taxes on raw materials extraction in general.

Most Russian media pose the issue as merely the “redistribution” of wealth. In reality, the “natural rent” tax raises fundamental questions of economic policy. Central Bank official Oleg Vyugin and others advocate putting the proceeds of such a tax into a stabilization fund, to be invested in places like the U.S. stock market. But Rodina’s program, like the 2000 Ishayev Report—commissioned by Putin, named for Khabarovsk Governor Victor Ishayev, and co-authored by Glazyev—links the redirection of these revenues with a plan for high-technology investment in infrastructure and industry.

The New Duma

Rodina promises to bring the relevant legislation before the 4th State Duma, the lower house of Russia’s Federal Assembly, which held its first session Dec. 29. The Duma was opened by Valentin Varennikov of Rodina, its eldest member. United Russia leader Boris Gryzlov, the former Internal Affairs Minister, was elected Speaker of the Duma. His nine deputies include Dmitri Rogozin of Rodina. Committee leaders will be chosen in mid-January.

Addressing the Duma, Putin focussed on the “truly strategic tasks” facing Russia. Above all, he said, “We must focus our attention on problems directly linked with the quality of life of Russian citizens”—including education, health care, and housing. All improvements in financial, tax, banking, land, property and business policies should be aimed at that goal. As he moved through the Duma building after speaking, all Putin would tell reporters was how much he had liked General Varennikov’s opening remarks, which stressed the fight against poverty.

Glazyev told *Izvestia* that Rodina would introduce bills on the taxation of superprofits, new payments for mineral resources exploitation, revised export taxes, and environmental impact payments, as well as a bill to return energy sector superprofits to the state. “We have forced our opponents to acknowledge that natural rent exists, and is very large. While we are talking about the possibility of collecting some 400 billion rubles [about \$13 billion] in Federal budget revenues, our opponents are negotiating based on approximately 150 billion rubles [about \$5 billion]. So, there is a certain rapprochement, and I am certain we shall find a solution.”

Asked if Rodina would seek posts in a new government, Glazyev said he continued to consider the current Kasyanov government “dysfunctional, irresponsible, and incompetent.” He said, “We shall criticize the work of this government and demand a fundamental change. If the President decides such changes are necessary, then the question of our representatives joining the government may arise.”

In the meantime, Rodina will take part in the Presidential election campaign, with either Glazyev or ex-Central Bank chief Victor Gerashchenko as the candidate, depending on which candidacy meets certain procedural requirements. The election is March 14.