

FT BIG READ

# Russia - Putin's balance sheet

By Kathrin Hille

A few things in Yaroslav's apartment still bear witness to the life he had: the well-fed orange cat, his daughter's high chair in the kitchen and the oak laminate flooring he laid a year ago.

Everything else is gone. When the 35-year-old engineer lost his job at a Lada dealership in Togliatti last summer, money ran out quickly. He sold the games console, then the TV. After his wife - pregnant with twins - left him in December, taking their two-year-old with her, he even got rid of the bed. "What's left is the stuff the pawnshop won't take," he says, banging another bottle of cheap white wine on the windowsill. Peeling at shreds of wallpaper left from his unfinished renovation, he adds: "It feels like the 1990s again."

In the grip of its longest recession in 20 years, Russians seem resigned to the loss of the growth and prosperity they had come to see as the hallmark of President Vladimir Putin's rule. Although few are seeing their lives unravel as completely as Yaroslav, many fear a return of an era they had hoped to have left behind: the decade of recession, economic shocks and poverty that followed the collapse of the Soviet Union in 1991.

"Russians have come to highly appreciate the social wellbeing achieved since 2000, and therefore it will be extremely painful to let that go. Now that we've had two years of crisis there's no prospect of growth, people [are] reminded of the 1990s," says



In this file photo taken on January 19, an elderly man (left) looks around at a supermarket in Moscow. The World Bank has cut its growth forecasts for the Russian economy, predicting it will contract 1.9 percent this year due to low oil prices and international sanctions, and warns of a rise in poverty

Tatyana Maleva, director of the Institute of Social Analysis and Forecasting at the Russian Academy of National Economy and Public Administration, Ranepa for short.

"We are forced to acknowledge that the social consequences of this crisis will be like the 1990s because we are looking at an extended, lingering, grinding stagnation," she says.

Economic growth had slowed sharply even before nosediving crude oil prices and the impact of western sanctions, imposed over its

role in the war in Ukraine, hit Russia in 2014. Even if the recession ends next year, growth is unlikely to be much more than flat after years of shrinking investment and falling household incomes.

Most Russians believe that the worst of the economic hardship is still to come, according to the Russian Public Opinion Research Centre (VCIOM), a pollster frequently used by the Kremlin, in a sign that despite Mr Putin's stubbornly high popularity ratings, the trust in his ability to deliver a better future is gone.

Mr Putin first became president on New Year's Eve 1999, the moment a steep and extended climb in oil prices gathered pace. It would continue for 14 years with only a brief interruption during the global crisis of 2008-09.

In what many observers

## In the grip of its longest recession in 20 years, Russians seem resigned to the loss of growth and prosperity

call Mr Putin's bargain with the Russian people, the country put up with growing restrictions on political freedoms gained after the collapse of the Soviet Union in exchange for economic wellbeing and stability. Growth during the Putin era lifted large parts of society out of poverty, helped Russians become healthier and live longer, and created a taste for the spoils of middle-class life such as overseas travel.

By 2014, Russia's per capita gross domestic product, based on purchasing power parity, had more than doubled compared

with 2000. Child mortality had halved, life expectancy increased by 12 percent and the proportion of young people enrolled in tertiary education soared from half to three-quarters.

So far, only a small part of these social gains, widely seen by Russian society as Mr Putin's main achievements, has been undone.

"Indicators such as income levels and poverty levels [suggest] we have been thrown back by six years - to where we were at the peak of the last economic crisis in 2009," says Ms Maleva. "Wages

dropped by 10 percent last year rather than by three times, as they did in the 1990s."

Many people, however, feel that they are taking a much larger step back: a perception fuelled by the drawn-out nature of the current crisis. Although 2015 was the first full year of economic contraction, incomes started falling the year before and continue to do so. In February, real household income decreased by 7 percent compared with the same month a year earlier, the fastest drop since December 2014.

"The increase in incomes had given people the option to get better healthcare, better education, some foreign travel, on their own expenditure," says Birgit Hansl, the World Bank's lead economist for Russia. "This allowance for some extras was the real benefit of transformation but this

### GLOOMY FORECAST

- **FEELING THE PINCH** - Russia is suffering its longest recession in 20 years with GDP contracting 3.7% in 2015
- **GROWING POOR** - Official data shows 14% of the population live below the poverty line, up from 11% in 2014
- **AGEING POPULATION** - The number of pensioners is forecast to equal the size of the working-age population by 2030

## Russia - Putin's balance sheet (continued)

extended slide in incomes increases people's reliance on legacy infrastructure again, and they realise how bad this legacy infrastructure still is."

While Russians paid three-quarters of private health costs out of their own pockets in 2000, that proportion had risen to more than 90 percent by 2014.

"People had been avoiding public hospitals like the plague," says Ms Hansl. "Now that they have to go back there to save money, they may feel like they're going back to the 1990s."

Many try not to. According to data collected by Russian newspaper RBC, 44 percent of urban middle-class families spend as much on healthcare as they used to, a larger percentage than on any other item. Spending cuts on food, clothing and alcohol by far outstrip those on medicine.

To avoid state hospitals and still stay within their budgets, Muscovites have become savvy. "Patients have started avoiding expensive procedures such as arthroplasty [joint surgery]," says Muslim Muslimov, a doctor and owner of Clinic No 1, a midsize private clinic in Moscow. "They are also getting second opinions from other doctors more often. If in the past, five out of 10 patients who came for a consultation would get some kind of treatment afterwards, now it's only two or three."

The new frugality is pushing private clinics into fierce competition. Over the past six months, a smattering of deals websites especially for private clinics have sprung up. On sites like Medbooking or DocDoc, which negotiate discounts with certain clinics, patients can find the lowest price for any given treatment in their city that day.



Russian President Vladimir Putin (left) listens to Russian Defense Minister Sergey Shoygu during their meeting in the Kremlin in Moscow last month. The economic gains of Putin's early years have been reduced by a recent recession driven by international sanctions and depressed oil prices

Experts warn that such approaches will not be enough. Ms Maleva's institute recently found that households were still struggling to adapt to the economic crisis and failing to balance their budgets.

"The kind of socio-economic development Russia has seen in the past decade and a half has not created any meaningful safety reserves," Ms Maleva says.

During Russia's last economic downturn, a deep but short recession in 2009, the government cushioned the fallout with social support handouts. Now, as plummeting oil prices cut deeply into budget revenues and more than half of the country's regions run deficits, there is not enough money for that.

According to Russia's Federal Statistics Agency, 14 percent of the population lived below the official poverty line in 2015, up from 11 percent in 2014, and the highest percentage

since 2006. Sociologists from the Russian Academy of Sciences, however, believe the situation is worse. They estimate that the number of poor has doubled since 2013 to hit one-quarter of the population.

Moreover, despite many years of economic growth, the country has failed to prepare its pension system for a rapidly ageing population. This year, the government raised pensions by 4 percent to make up for rising consumer prices, but as the inflation rate was more than double that last month, real pension incomes are falling.

Pensioners already have disproportionately low incomes and account for one-third of the population. That number is forecast to equal the size of the working-age population - which is shrinking by 1 million a year - by 2030. Independent economists argue that as pensions are often a cornerstone of family income, up to half

of the population is at threat of sliding into poverty.

Others warn that if the economy continues to stagnate for five years or longer, more of the gains of the Putin years will be lost, and Russian society may get closer to the mirror image of the 1990s with its social stress, endemic alcoholism and falling life expectancy.

For many, the threat of poverty can emerge even if they have a job. As Russia's working population is shrinking, employers hold on to as many of their staff

as they can even during crises, but they cut salaries, send workers on unpaid holidays, delay wage payments or hold off on social allowances.

"Our people are being squeezed, and our entire region with them," says Alexander Alexeenko, a retired truck driver from Ivanovo, a rural region east of Moscow whose fortunes have been deteriorating alongside the decline of its once huge textile plant. An estimated 70 percent of the local working-age population is now employed in the capital, mostly in low-

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## Growing income gap

Mr Alexeenko, who calls himself a Communist and has been organising protests for more than 30 years, says his compatriots should follow the example of French farmers who pour milk into the streets to protest at the drop in prices for their produce.

"But no. The people here, they bow, they buckle. I wouldn't say they are afraid. I think they just don't believe that they can

change something," he says.

One factor is that the middle class, historically an agent of change in other societies, has barely grown in 16 years under Mr Putin. According to Ranepa data, it has been stable at about 20 per cent of Russian society since 2000.

Moreover, despite the country's overall wealth gains during the Putin years, the income gap has widened. The country's

Gini coefficient - a widely recognised measure of inequality - rose from 37 in 2000 to 41.6 in 2012, suggesting a less equal distribution of income, which sociologists believe would lessen the effect of political empowerment.

Other forces vital to a vibrant economic future, such as scientists and multilingual talent, have left the country amid rising political pressures and a weaker

rouble. According to the Levada Center, Russia's only independent pollster, the most financially secure and best-educated are likely to emigrate.

"Some people fear social unrest. What I fear more is social apathy, infantilism, indifference," says Ms Maleva. "With a society like that, it will be even more difficult to lift ourselves out of crisis, and it will be impossible to make a new start."

end service jobs.

The 63-year-old Mr Alexeenko has gained some local notoriety by blasting the government for incompetent economic policies. He also called for Mr Putin's resignation at a recent rally of truck drivers, organised to protest against an electronic road toll system run by a friend of the president.

According to VCIOM, public satisfaction with the economic and social policies of the government is at its lowest level since 2011. In January, 32 percent of respondents said they might participate if there were protests over economic or social issues in their home town, the highest proportion measured by VCIOM during the Putin era. The numbers have since levelled off but are still higher than at any time since autumn 2011 - when Moscow saw mass demonstrations against Mr Putin.

In Togliatti, Yaroslavl's home town, the anger is palpable. A city of 712,000 people, 600 miles southeast of Moscow, it has been hit hard by the decline of the vast Lada car plant around which it was built. Sergei, a 40-year-old taxi driver, blames Mr Putin for the fact that his grocery shop went bankrupt a few years ago. "It's some kind of plot of his," he fumes. "I don't believe Putin, and I don't believe anyone in government. In fact, I'll sell this country to anyone who wants it for 10 kopecks."

Observers are, however, sceptical about the possibility of large-scale revolt. Mr Muslimov says he senses a wariness among Muscovites, with fewer showing an interest in politics. Even those social segments and age groups that are generally more likely to protest are holding back.

To Mr Alexeenko's exasperation, neither the truck drivers nor the Ivanovo proletariat nor the Moscow middle class are ready to transform their dissatisfaction into political action. "When Putin started, they all put great hopes into him and they continued to believe in him for a long time. Now nobody believes any more," he says. "And yet, for the sake of so-called stability, people will put up with anything."

By Edith M. Lederer

# Candidates for next UN chief to face nations for first time

**F**OR the first time in the 70-year history of the United Nations, all the member states will get a chance to question the candidates for Secretary-General, in a move to make the usually secret selection process for the world's top diplomatic post more transparent.

Last year, the U.N. General Assembly responded to the strong demand from many countries that Secretary-General Ban Ki-moon's successor be chosen in a more open process, unanimously adopting a resolution allowing public hearings on how candidates would respond to global crises and run the U.N.'s far-flung bureaucracy.

The secretary-general is chosen by the 193-member General Assembly on the recommendation of the 15-member Security Council, according to the U.N. Charter.

In practice, this has meant that the council's five permanent members — the U.S., Russia, China, Britain and France — have veto power over the candidates. That will not change in deciding whom to recommend to succeed Ban, whose second five-year term ends on Dec. 31.

But General Assembly President Mogens Lykettot said in a recent interview that the two-hour public discussions with each of the eight current candidates, starting tomorrow, are "potentially game-changing."

If a leading candidate emerges and a critical number of countries rally around him — or, in what would be a first, her — "I think it will be very difficult, and probably not possible, for the Security Council to come up with quite a different candidate," he said.

If the race is unclear, however, then the Security Council "will have a more deciding influence," Lykettot said.

The resolution adopted last September stresses the need for "gender and geographical balance while meeting the highest possible requirements."

By tradition, the job of secretary-general has rotated among regions. East European nations, including Russia, argue that they have never had a secretary-general and it is their turn. There has also never been a woman secretary-general and many countries support the idea of the first female U.N. chief.

The resolution invited all countries "to consider presenting women as candidates," but also stressed that the candidate must be highly competent.

There are currently four women and four men who have thrown their hats in the ring — six from Eastern Europe, one from Western Europe and one



Helen Clark, the former Prime Minister of New Zealand



The High Commissioner for Refugees, Portuguese António Guterres



Former Slovenia's president Danilo Turk



Moldovan politician Natalia Gherman

from the Asia-Pacific region.

They are: former Macedonian Foreign Minister Srgjan Kerim; former Croatian Foreign Minister Vesna Pucic; former Montenegro Prime Minister and current Foreign Minister Igor Luksic; former Slovenian President Danilo Turk; UNESCO Director-General Irina Bokova from Bulgaria; former Moldovan Foreign Minister Natalia Gherman; former U.N. refugee chief and ex-Portuguese Prime Minister Antonio Guterres; and former New Zealand Prime Minister Helen Clark, who heads the U.N. Development Program.

"I'm sure more candidates will be coming, that's for sure," Lykettot said, "but how many, I don't know."

There is no deadline for jumping into the race, but diplomats said the Security Council is expected to hold its first "straw poll" on the candidates in late July. The 15 council members will vote "encourage" or "discourage" on each candidate and the result will be made public.

Two women mentioned in

U.N. corridors as possible strong late entries are German Chancellor Angela Merkel, though she reportedly isn't very keen on the job, and Kristalina Georgieva, another Bulgarian who is the European Commission's budget chief and a former top official at the World Bank.

The concentration of power in the five permanent members known as the P-5 often has produced U.N. chiefs with the appearance, some observers have said, of being more secretary than general.

Natalie Samarasinghe, executive director of the United Nations Association-UK and one of the founders of the 1 for 7 Billion campaign for reform in the secretary-general selection process, said that throughout the U.N.'s history "the Security Council concern has always been, 'who's not going to rock the boat, and who's going to cause the least trouble for us.'"

That dynamic has changed somewhat with the new, more open selection process, which "is going to be impossible for

the Security Council to completely ignore," she said.

Britain's U.N. Ambassador Matthew Rycroft, who encouraged more "credible candidates" to enter the race, said the interviews will be "very important" in the final decision.

"If a candidate does well in the hearings then clearly that is going to increase the prospects of Security Council members encouraging them through the process," he said.

Russia's U.N. Ambassador Vitaly Churkin was more cautious, saying the hearings "might" influence the P-5's decision.

"For us it's important that the next secretary-general enjoy the broadest possible support among members of the United Nations," he said.

Ukraine's U.N. Ambassador Volodymyr Yelchenko, a council member, called it "a very useful exercise, although with many, many unclear questions of what will be the outcome, and what will be the final platform to judge the qualities of each of eight candidates."

The 1 for 7 Billion campaign,

which Samarasinghe said is supported by 750 non-governmental organizations worldwide, is also calling for a single longer term to give the next secretary-general more independence from the major powers.

Lykettot said the Non-aligned Movement, which represents over 100 developing countries, supports the idea but he doesn't know whether they will push for a General Assembly resolution on a single term, possibly seven years.

The interviews will continue through Thursday. Lykettot said they will be followed by a second round for expected new candidates.

Secretary-General Ban is staying away from the hearings but is "delighted" they are happening, U.N. spokesman Stephane Dujarric said Friday.

Asked whether the U.N. chief had any advice for the candidates ahead of the hearings, Dujarric said that Ban always recalls the advice a middle school teacher in South Korea gave him: "Keep your feet firmly on the ground and your head in the clouds." **AP**

# Germany tackles dirty diesels by empowering city bans

By Brian Parkin

**G**ERMAN towns and cities plagued by car and truck pollution will soon get the legal tools they need to ban older diesel vehicles from streets where emissions are highest.

Chancellor Angela Merkel's government will remove the legal uncertainty that has made town mayors and councils hesitate to ban older diesels from their streets, said Deputy Environment Minister Jochen Flas-



BLOOMBERG

**This step is necessary as a stop gap until electric cars have a significant foothold in our towns.**

JOCHEN FLASBARTH  
DEPUTY ENVIRONMENT MINISTER

barth, adding that the ordinance will be enacted this year. Limits on nitrogen oxide, or NOx, emissions set by the European Union are regularly breached on German roads.

"This step is necessary as a stop gap until electric cars have a significant foothold in our towns, and diesel emissions really are what carmakers say they are: cleaner," Flasbarth said in Berlin late on Thursday.

Once enacted, bans can be im-

plemented on diesel vehicles with emissions that don't meet "EU-Norm 6," said Flasbarth, who sought agreement on the move in talks in the capital with state environment officials. The officials "unanimously supported" the need for action, he said. EU-Norm 6 sets an NOx emission limit of 80 milligrams per kilometer, and has been mandatory for all new diesel vehicles road-registered since 2015.

Calls to get tough on the dirtiest diesel vehicles have become louder and more persistent since Volkswagen AG was caught manipulating its carbon pollution readings from its cars. While all new diesel cars need to fulfill the strictest NOx limits, that leaves millions of car owners facing bans within cities – and a new question mark on the future of diesel technology that German companies dominate.

"It would be a fundamental

mistake to badmouth diesels," the German car industry association said in an email to Bloomberg on Friday. "Whoever supports climate protection can't forgo diesels -- environment ministers know this too."

Almost half of the 3 million new vehicles sold each year in Germany are diesels, according to the VDA industry association. In the U.S., VW, BMW AG, Audi AG and Daimler AG had 92 percent of the market for new diesel cars, according to the International Council on Clean Transportation.

The fine particles emitted by diesel exhausts as well as NOx may cause 10,000 deaths in Germany each year, the European Environment Agency said.

Some 74 percent of BMW's sales are diesels, and for Audi the figure is 67 percent. Just a third of Germany's existing diesel cars fleet in 2015 fulfilled the EU-Norm 6 standard. Half the 14 million diesel cars in Germany will be replaced by new, cleaner diesels in the next five years, according to VDA estimates.

Town and city councils will not be compelled to enforce bans and won't be permitted to place blanket restrictions on inner-city limits for vehicles not fulfilling the latest NOx standards, said Flasbarth. "Cars that do will get a blue sticker, that much is certain," he said.

**Bloomberg**

## ASK THE VET

by Dr Ruan Du Toit Bester



### CAT VIRUS DIAGNOSIS

**O**DDS are good that your feline pet will suffer from a cat virus of one type or another during his lifetime. Viruses are diseases that affect your pet's DNA, causing harmful effects while the virus itself uses your cat's body to replicate itself. Diagnosing a feline virus can be a difficult task, given that there are a large number of feline viruses, many of which carry similar or identical symptoms. The key to a successful diagnosis, however, is recognising your pet's infirmity early on so that treatment can begin before the virus progresses to a serious level. Below are the basics for an overview of feline virus diagnosis.

#### COMMON VIRUS SYMPTOMS

The first step toward successfully diagnosing your cat's virus is to understand and recognize the common symptoms of viruses that affect cats. Although feline diseases may range from mild to fatal, many viruses display a number of similar symptoms. The primary symptoms of a feline virus include some or all of the following:

- Lethargy or malaise
- Vomiting and diarrhea
- Loss of appetite or weight
- Increased rate of infection

Observe your healthy pet so that you are able to tell when his mood, behavior or overall health change in even a slight

way. If he should fall victim to a feline virus, you will be better prepared to identify the disease early on.

#### THE VETERINARY EXAMINATION

If you suspect that your pet may suffer from a virus of some kind, take him to a veterinarian immediately. Before conducting any specific tests, your vet will ask for an overview of your pet's symptoms and general medical history. He will then conduct a physical examination of your pet to search for telltale signs of disease or another condition.

The most useful tool in identifying a feline virus is a blood test. Your vet will draw a small sample of your cat's blood in order to run laboratory tests. In many cases, this single examination will be sufficient to diagnose the virus. However, some viruses may be trickier to diagnose. These may require additional testing, including urinalysis, smears, biopsies and other tests. In each of these cases, I hope, your vet will conduct these tests in order to confirm or disconfirm a disease which he suspects as the culprit following his initial examination and analysis of symptoms. Remember to choose a competent vet.

#### FOLLOWING THE DIAGNOSIS

After your vet diagnoses your cat's condition, consult with him for advi-



ce about appropriate treatment plans for your animal. These will vary widely according to your pet and his specific ailment. Symptoms of viruses may be treated with anti-inflammatory drugs or other medicines as well as rest and recuperation.

#### Prevention Against Feline Viruses

It is important to note that many of the most dangerous and common feline viruses, including parvovirus and feline leukemia, are virtually preventable by means of vaccination. In order to protect your pet against these potentially fatal diseases, ensure that you follow your

vet's recommended vaccination schedule from the time that he is a kitten.

Hope this info helps  
Till next week  
Dr Ruan

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