

Russia Bailout Talk Absent as Pariah Putin No Latter-Day Yeltsin

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(Bloomberg) -- Here's what is happening with Russia: Its currency has lost half its value and investors have pulled out tens of billions of dollars amid a plunge in oil, its biggest export. Here's what isn't happening: any public discussion among world leaders of a rescue package.

Russia, desperate to stem the ruble's collapse, has been a diplomatic pariah since it annexed Crimea in March, prompting the U.S. and European Union to impose sanctions on Vladimir Putin's government and setting the stage for its worst economic crisis since the 1998 default. Back then, Boris Yeltsin's fledgling democracy was opening its financial markets and had a reservoir of goodwill with the U.S. and

Europe, which assembled a \$22.6 billion bailout from the International Monetary Fund and World Bank.

Today, Russia probably won't seek any aid and the IMF is unlikely to approve any bailout, according to former fund officials and advisers to Russia's government. The question of helping the nation could emerge if Putin is unable to stabilize the world's eighth-largest economy and market turmoil spreads.

"In the 1990s, the international community and particularly the United States had mobilized IMF support," said Domenico Lombardi, a former IMF board official who is now the director of the global economy program at the Waterloo, Ontario-based Centre for International Governance Innovation. "Now there are sanctions with the precise purpose of undermining confidence in Russia's ability to integrate with the world economy. The two crises are extremely different."

Ruble Swings

After the ruble fell 22 percent from Dec. 5 through Dec. 16, the currency rebounded by about 10 percent Wednesday in Moscow following the Finance Ministry's announcement that it bought rubles, which have lost 47 percent this year against the dollar. That came a day after the central bank raised its key interest rate to 17 percent from 10.5 percent to stem the rout.

Analysts differ on whether Russia, in its current state, would even qualify for IMF aid.

"The IMF would provide aid only to countries that have a balance of payments issue, and Russia doesn't," said Lubomir Mitov, chief economist for emerging Europe at the Institute of International

Finance in Washington. “Russia has enough reserves not to qualify for the IMF. So there’s nothing -- there’s no sovereign problem.”

Russia asking for IMF help is “off the table,” said Mitov, who previously worked at the World Bank. “Russia’s not the same country that it used to be in ’98, ’99,” when foreign-exchange reserves were as low as \$11 billion, compared with about \$374 billion now, based on data compiled by Bloomberg.

The level of reserves has dropped from \$470 billion at the end of 2013, as Russia reduces its stockpile to defend the currency.

‘Textbook’ Crisis

Russia is in a “classic emerging-country crisis, almost of a textbook variety,” said Alessandro Leipold, a former IMF official who is now chief economist of the Lisbon Council, a Brussels-based research group. “A currency collapse and capital flight caused primarily by a commodity price shock.” In such cases, “recourse to the IMF, and a likely debt restructuring, would be the archetypical response.”

The possibility of Russia requesting a rescue package “any time soon” is zero, Leipold said in an e-mail. “Putin will not ask, and nobody will prod him to do so.”

Simonetta Nardin, a spokeswoman for the Washington-based IMF, said in an e-mail that the fund “is closely monitoring developments in the foreign-exchange markets in Russia.” She declined to elaborate.

White House spokesman Josh Earnest said Tuesday in Washington that U.S. President Barack Obama will sign legislation passed by Congress last week that authorizes -- but doesn’t require -- the U.S. to put more sanctions on Russia’s energy industry and provide arms and

other lethal aid to Ukraine's government. The spillovers from Russia's crisis to the U.S. are likely to be small, Federal Reserve Chair Janet Yellen said at a press briefing Wednesday in Washington.

U.S. Veto

Russia does "consult substantively and positively with the IMF, but Russia does not need the money," and any approach to the fund would face rejection, said Anders Aslund, senior fellow at the Peterson Institute for International Economics in Washington and a former economic adviser to Russia and Ukraine.

"The West has a majority in the IMF, the U.S. alone has a veto, so Russia cannot get any money from the IMF," he said.

Putin is scheduled to address the nation at his annual press conference Thursday in Moscow, as Russians rush to convert their money into dollars and buy durable goods amid concerns over hyperinflation and possible government currency controls. Yet any approach to the IMF for aid would be unexpected.

Asking the IMF for help is "completely impossible -- it will never happen," said Clifford Gaddy, an economist specializing in Russia at the Brookings Institution in Washington, who was an adviser to the Russian Finance Ministry in the 1990s. "No more debt enslavement" has been a fundamental tenet of Putin's rule and foreign policy, Gaddy said.

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