



Putin And Trump Won't Make It To The Wedding Altar

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Vladimir Putin and Donald Trump will make for very strange bedfellows. So strange in fact that either one of them will be pushed out of bed by the other, or both will fall to the floor. It's irreconcilable economic differences that will ultimately drive them apart.

This is contrary to conventional wisdom, spurred on by complimentary statements—actually mostly tweets-- Trump and Putin have transmitted through the internet about each other over the last several months. It is widely believed—at least for now—that although they are certainly the "Odd Couple," there is a robust bromance.

Like many romances, how long the courtship will last, let alone turn into a lasting relationship, is anybody's guess. But one would do well to begin planning now for an early divorce—indeed it will come far sooner than most anyone expects. Putting aside superficial strongman similarities, there is little substantive economic or ideological grounds that binds these two men.

Who can blame the hopeful? After all, there was the recent repudiation by Putin of the televised announcement made by his Foreign Minister, Sergei Lavrov. Unbeknownst to Putin, Lavrov proclaimed the Kremlin will expel U.S. personnel to retaliate against President Obama's plan to impose harsh sanctions against Moscow because of Russia's cyberattacks on the 2016 U.S. election, and especially its presumed manipulation of the outcome of the November Presidential contest. When Putin was informed of this, he castigated Lavrov and made clear in no uncertain terms that Russia will not retaliate. To the contrary, he wants to continue--indeed ramp up--making nice with Trump.

It was a stunning rebuke by Putin of his most senior cabinet member, all the more stinging because it was done in public.

Within 24 hours, Trump heaped praise on Putin. The two are off to splendid start.

To be sure, they share some similarities that could make them a compatible couple. Both have a tendency to govern through threats. Both pursued career paths quite different from politics: Trump inherited his father's real estate business, while Putin chose the spy route (although he has become quite "the businessman," amassing massive wealth and effectively controlling most of the largest industrial enterprises in Russia). Both exercise a top-down style of management over staff. And, both profess to want to make their countries "great again"-- however for Putin this means taking over neighboring countries in pursuit of his not too well hidden agenda of hoping to [recreate the Soviet Union](#)).

But the *differences* between the two men are far more striking, especially in the economic domain. That's where the rupture in their relationship will most likely first surface. Let's look at some of the most critical of these divergences.

For starters, [Trump will boast](#) that the overall size of the U.S. economy with a GDP of \$18 trillion, is at present about five times Russia's GDP of \$3.5 trillion. (These figures take into account differences between the two countries in terms of the relative costs of *local* goods, services and inflation rates.)

Putin's retort? Absolute GDP numbers only get you so far in comparing the health of economies. It's the relative scale of each country's populations that is key. In that vein, Russia's population is 144 million people, and the U.S. population is 320 million. It will be only small solace to Putin that when these adjustments are made, *per capita* income in the U.S. (\$53,000) is more than twice Russia's (\$24,000).

Even more revealing is a comparison of each economy's track record over a substantial time period. By netting out short-term volatility and shocks to the system, this gives Putin and Trump a reasonably good sense of the economic DNA of their respective countries and the likely challenges and opportunities ahead. Regrettably for Putin, through this prism, between 1990 and 2015, GDP per capita adjusted for inflation in the U.S. increased fivefold; in Russia, it rose only by a factor of three.

Speaking of population, here's another Putin-Trump dichotomy. Foreigners are clamoring to immigrate to the U.S. In Russia, it's the reverse: if they had the wherewithal, many Russians would gleefully emigrate from the Motherland. Either way it gives heartburn to both leaders—but with an ironic twist: Trump cannot wait to seal

U.S. borders to keep out immigrants, while Putin loses little if any sleep over the escape of his citizenry.

There's yet another immigration/emigration issue that separates the economic fortunes of the two: for years, Putin has witnessed a sizeable, if not growing, flight of capital out of the country in search of more attractive and safer investment havens. As the saying goes, people vote with their feet and their wallet.

But Russian big business dare not think of doing so. If Putin catches even a whiff of corporate disloyalty he simply snatches up the company for himself, sharing the spoils with his inner circle.

What burns up Trump is not dissimilar: he detests the movement of U.S.-based plants to overseas markets—either in search of new customers, lower input costs, access to modern infrastructure, or competitive advantage engendered by trade agreements (which, in fact, are designed to facilitate cross-border transactions).

The sentiment is surely understandable. But if he really was for helping America's working man and woman, many of whom have their life savings or pensions invested in U.S. companies' shares in the stock market, you'd think he'd want to enhance not degrade shareholder value.

Trump espouses a related contradiction.

He makes no bones about bullying U.S. plants to stay put at home; alas he doesn't have the luxury of Putin to just seize assets. But at the same time, you can be sure he will do his darndest to prevent foreign (read Chinese) companies to invest in the U.S. Huh? He campaigned on the promise of creating new jobs in the U.S. though increasing investment.

Behind these contradictions of course is Trump's real goal: to build "Fortress America."

Ultimately the dissipation of Putin and Trump's wedding bliss will be hastened once it sinks in that on the world economic stage this is hardly a marriage of equals. Most glaring of course is the U.S. dollar's domination

as the currency of choice in which [global commerce](#) is carried out. It is not even in the realm of economic possibilities that the rouble will ever play such a role (at least during our lifetimes).

Worse still, Russia's economy is far less attractive internationally than is the economy of the U.S.

A few statistics illustrate the point.

Annual net inflows of foreign direct investment (FDI) to the U.S. in 2015 were U.S. \$379 billion; the corresponding figure for Russia was U.S. \$6.5 billion—about 2% of FDI coming to the U.S. Adjusting for the size of each country's population, FDI inflows per capita to the U.S. were 9.5 times the amount flowing into Russia.

Patterns of international trade are another differentiator. It is no surprise that as a major oil exporter, Russia's total merchandise trade as a share of GDP is considerably greater than that of the U.S.; between 2000 and 2015 it was twice the size. On the face of it, that might be grounds for Putin to pound his (bare) chest. Yet the share of merchandise trade in the U.S. economy grew over this period by 12%; while for the Russian economy it actually *declined*—by 25%, twice the rate of the U.S. increase.

Finally, perhaps the most well-known fact about Russia's economy: it is hugely dependent on oil as a source of total merchandise export revenues, roughly 65%. (For reference, 78% of [Saudi Arabia's](#) export revenues come from oil.) By contrast, oil accounts for only 8% of U.S. merchandise exports. The result is a diversified, resilient U.S. economy.

It is only a bit of an exaggeration to say that Putin's economy remains as undiversified and ossified as when I began working in Russia in 1997. But now that Russia has become a major exporter of cyber weapons of mass destruction (apologies to Colin Powell) perhaps greater diversification of the Russian economy is just around the corner.

In the end, of course, the strength of any relationship depends on shared values. In this case the gulf between Putin and Trump will prove to be particularly both wide and deep.

Say what you will about Putin, he is steely, determined and proactive. Fundamentally his way of thinking and behaving has been shaped by an era of strong ideology. And, his actions clearly indicate he is not there to better the life of the 'little guy'. Indeed, he makes no bones about the fact that he loves to cozy up to Russia's wealthy industrialists, especially now that he lives like one.

Trump, is also determined. But he only pretends to be there for 'ordinary' men and women; instead he loves 'working the room' of the rich and famous. He's not guided by any ideology to speak of, randomly shoots off tweets, and is often reactive.

Sometimes opposites do attract. This time, however, beauty is only skin deep. The odds are there's no need to put aside money to buy a wedding gift.

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