

# **“Regionalization Under Putin: Old Models and New Trends”**

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## **Abstract**

The advent of President Putin does not mark the end of regionalization in Russia, but the start of a new phase in the regionalization process. Changes are taking place both within the constituent entities of the Federation and in the relationships between them which are potentially of considerable significance for the future. On the one hand, the strengthening of the vertical axis of State authority has encouraged the emergence of a plurality of actors, thereby boosting the chances of democratization in the regions. On the other, Putin’s reforms – particularly the introduction of seven federal districts – have also highlighted the fact that the administrative and territorial system inherited from the Soviet period, based on 89 constituent units, is in need of review. Under Putin, the process of formation of regions is increasingly based on the requirements imposed by an economic environment noticeably affected by globalization trends. Both the formation of large regions and the extension of local autonomy are possible options for how the situation will develop in future.

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## Introduction

The federal reforms launched by Vladimir Putin in May 2000, just a few weeks after being elected President, were part of a campaign to boost the central power of the State. At the time of the implementation of the reforms, many observers predicted comprehensive centralization of political power and a regression of regional autonomy,<sup>1</sup> but the experts are now taking a more cautious view, as they see the pendulum swinging back in the opposite direction, initiating another phase of decentralization.<sup>2</sup>

Analyses of the reforms agree that the influence of the regions<sup>3</sup> in the national political landscape has now been restricted, and the damaged reputation of the center has largely been restored. One indication of this is the relatively significant successes achieved in the harmonization of the legal environment. Moreover, the relationship between the center and the regions is no longer characterized by the confrontation seen under Yeltsin. Most regional leaders are now loyal to the Kremlin. There is however a view, as expressed by Robert Orttung of the New Yorker EastWest Institute for example, that the changes so far have largely been of an “atmospheric” character, with few concrete signs of any substantial increase in Moscow’s influence in individual regions.<sup>4</sup>

The writer of this article takes the view that while Putin’s reforms have not caused a complete upheaval in the system of federal relationships (that was far from being his intention, and in any event would not have been possible given the limited resources of the central State), the measures implemented by the center have triggered a number of developments in the regional landscape which could have significant consequences for political processes in Russia.

The arrival of Putin marks not the end of regionalization, but rather the beginning of a new kind of regionalization, characterized by the fact that the process has now begun to cast off the administrative and political models inherited from the Soviet period.

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<sup>1</sup> Nikolai Petrov, “Broken Pendulum: Recentralization under Putin,” *Program on New Approaches to Russian Security Policy Memo Series*, No. 159 (November 2000), available at <http://www.csis.org/ruseura/ponars/>.

<sup>2</sup> Vladimir Gel’man, “The Rise and Fall of Federal Reform in Russia,” *Program on New Approaches to Russian Security Policy Memo Series*, No. 238 (January 25, 2002), available at <http://www.csis.org/ruseura/ponars/>.

<sup>3</sup> Unless stated otherwise, the term “region” as used in this article refers to federal entities (“federal subjects” in the Russian terminology), of which there are 89.

<sup>4</sup> Robert Orttung, “Putin’s Main Accomplishment is Centralization,” *EWI Russian Regional Report* 6,

This new regionalization follows a logic that takes increased account of economic and social conditions. In this context, the current trend in the formation of regions is gradually departing from the fundamental premises of the form of regionalism that became established under Yeltsin. Since the advent of Putin, breaches have appeared not only in the monopoly on power held by regional political elites as the principal actors of Yeltsin-style regionalism, but also in the administrative and territorial system inherited from the Soviet period, based on the 89 federal entities, or “federal subjects” according to the Russian terminology.

### **Weaknesses of the regional system under Yeltsin**

During the 1990s, regionalism was essentially a reaction to the weakness of the central State, and an attempt to offset the power vacuum at the center with initiatives at the periphery, in order to stabilize the situation in the respective territories. From the outset, a prominent feature was the efforts of regional elites to control the resources within their territories, and their demands to be able to make economic policy decisions autonomously, on the basis of regional interests. This was the basis for the regions’ aspirations to greater political autonomy and further federalization of the relationships between the center and the regions. It was partly thanks to this form of regionalism that Russia was able to survive the difficult years of crisis. However, the stability created under Yeltsin was stability in name only. In the longer term Yeltsin’s regional system would inevitably be incompatible with the requirements for further progress towards modernization.

The regional elites which came to power after 1991 built up and consolidated political and economic structures on the basis of a traditional view of sovereignty. For them this meant holding absolute authority within a clearly defined territory – even to the point where many regions (and not only ethnically-defined republics) highlighted their character as “states” with special symbols (flag, constitution, “citizenship” and an “official language”), and started setting up barriers to currency movement and trade at their borders, to separate off their own market.<sup>5</sup>

It was quite clear that this policy carried an inherent danger of latent separatism, and in the longer term would be likely to have devastating consequences for economic development in many regions of Russia. Indeed, it was specifically to avert the danger of regionalism that the regions of the Russian Socialist Federative Republic had not

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<sup>5</sup> Jeronim Perovi\_, *Die Regionen Russlands als politische Kraft: Chancen und Gefahren des*

been designed as independently operating economic units. On the contrary, the approach had been to allocate each region a specific function within the macroeconomic complex of the Soviet Union. The criteria for the distinctions between individual regions were based on their function and contributions within the system. Accordingly, certain regions were typically associated with particular attributes. Thus, Orel was an “agricultural” region and Ivanovo a “textile-processing” region; Leningrad was “industrial”, and Tyumen was referred as a “petroleum-processing” region.<sup>6</sup> The collapse of the unified economic area also destroyed this system based on a regional division of labor. This in turn placed a number of regions in a difficult situation, since their economies were strongly focused on specific sectors, making them very dependent on the economic infrastructure of the country as a whole. At the present time there are about a dozen regions with a relatively favorable economic structure and a certain level of export capacity, enabling them to stand as economic entities in their own right in the national and international environment.<sup>7</sup>

A recently published study entitled “On the threshold of a new form of regionalization” from the Nizhnii Novgorod Center for Strategic Studies of the Volga federal district regards the regionalism crisis in the late 1990s not least as representing the defeat of that regional system, based on a rigid concept of sovereignty, in favor of the more mobile actors from the business and finance sectors who operate across regional and national borders. The study suggests that whereas these operators have been able to adapt to the requirements of a rapidly changing environment, regional politics have focused solely on building up and securing power within the borders of individual federal entities. Accordingly, regional politicians were running economic policies which may have strengthened their positions within the region, but took little account of the longer-term interests of the region.<sup>8</sup>

The shortcomings of the form of regionalism seen under Yeltsin were highlighted by the crisis of August 1998. Up to that time, the regional political actors shored up their power by means of alliances formed with the powerful (semi-)State corporations

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<sup>6</sup> Maikl Makfol and Nikolai Petrov, eds. *Politicheskii al'manakh Rossii 1997, Vol. 1* (Moscow: Carnegie Moscow Center, 1998), pp. 13-14.

<sup>7</sup> This is clearly illustrated by the fact that in 1998 the 10 leading exporting regions accounted for over 60 percent of total Russian exports, with Moscow City and Tyumen Oblast on their own representing 40 percent of that figure. The regional imbalance is less pronounced in the case of imports. In 1998 the 10 leading importer regions represented around 40 percent of all Russian imports. Figures calculated from: Goskomstat Rossii, eds. *Regiony Rossii: Statisticheskii sbornik 1998, Vol. 2* (Moscow, 1998), pp. 782-783.

<sup>8</sup> Tsentr Strategicheskikh Issledovanií Privolzhskogo federal'nogo okruga, ed. *Na poroge novoi*

(such as Gazprom, Lukoil or the State-controlled Sberbank), or with “oligarchs”. Since most of the natural resources were owned by the region where they were located, and resource extraction and processing issues came under the authority of regional institutions, the resource-rich regions of Russia in particular were in a position to exert a relatively strong influence on the corporations operating in their areas. However ongoing mismanagement and corruption by regional authorities made the regions less and less attractive entities for domestic and international investors. In many cases, capital flight from the regions was the direct consequence. The August 1998 crisis led eventually to the bankruptcy of many regions, which were now completely unable to meet the payment obligations to their creditors, the major economic and financial groups.<sup>9</sup>

The economic inefficiency of this regional system based on 89 relatively autonomous entities was known before the arrival of Putin. Projects for the harmonization of the legal and economic structure and the amalgamation of the regions into larger units were discussed particularly during the term in office of Yevgenii Primakov as Prime Minister (September 1998 to May 1999).<sup>10</sup> However all attempts made during the Yeltsin period to change the regional system by measures implemented on a “top down” basis were unsuccessful.

During the 1990s there were also some moves towards the formation of regions by a “bottom up” approach, i.e. initiated from a sub-national level and focusing on building horizontal links across borders. During the 1990s outside observers often expressed the view that the eight Interregional Associations for Economic Cooperation created from the beginning of 1990 could be a source of momentum towards a federal reorganization of Russia. However the capacity of these associations to form coalitions proved to be very low. This can be attributed to the fact that the new, post-1991 Russia lacked not only a tradition of regional cooperation, but also the structures which would have allowed it to take place. Instead of setting up social structures, the regional leaders used the associations primarily to safeguard their individual interests vis-à-vis the Federation center.<sup>11</sup> The bilateral nature of the center-periphery relationship and the regions’ focus on individual interests outweighed any collective

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<sup>9</sup> Natal’ia Zubarevich, “Krupnyi rossiiskii bizness na regional’nykh vyborakh,” *EWI Rossiiskii regional’nyi biulleten’* 4, No. 2 (January 28, 2002) (Internet edition).

<sup>10</sup> Mikhail Afanas’ev, “Chto stoit za initsiativami po ukrepleniiu ‘vlastnoi vertikali’,” *EWI Rossiiskii regional’nyi biulleten’* 1, No. 4 (March 8, 1999) (Internet edition).

<sup>11</sup> Vladimir Klimanov, “Mezhregional’noe sotrudnichestvo,” in *Regiony Rossii v 1998 g.: Ezhegodnoe prilozhenie k “Politicheskomu al’manachu Rossii”*, ed. Nikolai Petrov (Moscow: Carnegie Moscow

approach in Yeltsin's time.<sup>12</sup> Indeed, the center was also skeptical about the formation of regional political alliances, seeing this as potential for secession. The leadership in Moscow did everything it could to prevent the possibility of such alliances being formed.<sup>13</sup>

In addition to the above interregional associations, as the most obvious form of interregional cooperation, the late 1990s regions also saw increased efforts by regions to form bilateral agreements with other entities both within and beyond federal boundaries. The most active player in this context was the City of Moscow. By the beginning of 1999 Moscow not only had permanent commercial representation in most federal entities, but had also forged official economic partnerships with ten CIS States, Lithuania, Crimea, Transdnestr and over 15 major Russian cities.<sup>14</sup>

By the end of the 1990s, efforts to ensure the survival of their regions through international contacts had possibly become the principal strategy of regional leaders.<sup>15</sup> International links between sub-national entities and the outside world had been established in an enormous variety of forms. In addition to contacts between federal entities and foreign regions, states and organizations, there was a clear trend towards the formation of links also at the level of local self-government structures (twinning and associations between cities), and cooperation arrangements between the interregional associations and international partners.<sup>16</sup> International cooperation has become a strategy of vital importance for border regions of Russia in particular.<sup>17</sup>

During the 1990s there was also increased activity in this context among Russian municipalities and boroughs. By the end of the decade there were approximately 40 associations or municipal groupings, some of which were actively involved in the

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<sup>12</sup> Andreas Heinemann-Grüder, "Putins Reform der föderalen Strukturen: Vom Nachtwächterstaat zum Etatismus," *Osteuropa* 11, Heft 11 (November 2000), pp. 979-990, this quotation from p. 987.

<sup>13</sup> Andreas Heinemann-Grüder, *Der heterogene Staat: Föderalismus und nationale Vielfalt in Russland* (Berlin: Berlin Verlag Arno Spitz GmbH, 2000), particularly pp. 345-358.

<sup>14</sup> Irina Busygina, "Moskva v territorial'noi strukture Rossiiskoi Federatsii," *EWI Rossiiskii regional'nyi biulleten'* 1, No. 6 (April 5, 1999) (Internet edition).

<sup>15</sup> Aleksandr Sergunin, "Regiony i finansovo-politicheskii krizis v Rossii: Mezhdunarodnye aspekty," in *Chto chotiat regiony Rossii?*, ed. A. Malashenko (Moscow: Carnegie Moscow Center, 1999), pp. 26-36.

<sup>16</sup> A.S. Makarychev, ed. *Rossiiskie regiony kak mezhdunarodnye aktory: Analiticheskii doklad* (Nizhnii Novgorod: Nizhegorodskii gosudarstvennyi lingvisticheskii universitet imeni N.A. Dobroliubova, 2000), particularly pp. 29-31.

<sup>17</sup> On this point see: Andrew Cottey, ed. *Subregional Cooperation in the New Europe: Building Security, Prosperity and Solidarity from the Barents to the Black Sea* (London and New York: EastWest Institute, 1999); Natan Shklyar, "Russian Regions in Subregional Cooperation," in *Building Security in the New States of Eurasia: Subregional Cooperation in the Former Soviet Space*, ed. Renata

implementation of federal regional policy, particularly on local self-government issues. Regarded as one of the best known and most influential of these entities is the “Association of Russian Cities”, which was established in the later years of the Yeltsin period, and comprises around 100 cities (mainly capitals of federal entities and important industrial centers). To date, however, these municipal associations have played only a relatively modest part in the country’s political life. Even the larger groupings – like the “Association of Russian Cities” – have often failed to have any substantive influence on national politics because of the difficulty in reconciling the disparate interests of the many different members.<sup>18</sup>

While political and administrative calculations played a large part in the regional formation concepts originating at the center, it was primarily economic forces which drove the formation of horizontal networks at sub-national level. These trends were only just beginning at the end of the 1990s, and were far from having exhausted their potential.

Putin’s early success in implementing the federal reforms can be attributed to the fact that the shortcoming of regionalism referred to above – the monopolization of power within the structure of the federal entity and the regions’ focus on the federal center as its most important reference point – outweighed the above-mentioned positive aspects of horizontal outreach. Ultimately it was because of the lack of coalition commitment between the regions that the Kremlin leadership did not encounter more resistance during the implementation of its reform. The Kremlin was dealing not with a unified regional force, but with a highly fragmented political phenomenon. In spite of its weakness and limited resources, the center was still the most important point of reference for all the regions, rich and poor alike. Accordingly, the regions missed the opportunity for a “bottom up” federal reorganization of the State, and allowed the initiative for the restructuring of Russia to pass to the center.

### **Putin’s reforms: modernization as the goal**

On 13 May 2000 Putin issued a decree creating the seven federal districts as a new administrative structure. He sees the federal districts, each of which is administered by a representative of the President, not as an “amalgamation [*ukrupnenie*] of the regions”, but as a way of “expanding the structures of the vertical axis of Presidential power in the territories” and “increasing the effectiveness with which authority is

exercised".<sup>19</sup> Simultaneously with the introduction of the federal district, Putin submitted a package of three draft laws to Parliament which would trim back the authority of governors and republic Presidents and reduce their influence on national politics (particularly via the Law on the restructuring of the Council of the Federation). These laws were all passed by the Parliament in summer 2000.<sup>20</sup> At the same time, a series of laws are in preparation, or have already been passed, which are designed to reinforce the position of the center vis-à-vis the regions. Of particular importance for the relationship between the center and the periphery was the introduction of a new Tax Law on January 1, 2001, adjusting the distribution formula for federal tax revenue in favor of the center.<sup>21</sup>

What is the intention behind Putin's recentralization measures? In the debate that took place in the early summer of 2000, Putin had critics as well as supporters. While some saw the reforms as a return to Soviet-like conditions of centralist and authoritarian administration of the country, others perceived the measures as a way of dealing with the shortcomings of the federal system. Andreas Heinemann-Grüder has argued quite rightly that any assessment of Putin's reforms remains dependent on the standpoint of the person concerned. If a democratic yardstick is applied, the program is authoritarian, but the reforms can be seen as positive if it is agreed that the State's ability to act effectively and the legal certainty have increased.<sup>22</sup>

Putin himself would prefer to see his initiatives as neither changing nor weakening the principle of federalism embodied in the constitution, but rather as strengthening it. Vladimir Putin and his team have continually emphasized that their primary aim is to ensure the unhampered operation of the free market, and to tear down those barriers standing in the way of that goal. And at the beginning of his term in office, the President clearly saw the arbitrary exercising of power and legal authority by regional political elites as the greatest obstacle to the establishment of a functional State and the modernization of Russia.<sup>23</sup>

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<sup>19</sup> Putin's annual address of July 8, 2000: Vystuplenie pri predstavlenii ezhegodnogo Poslaniia Prezidenta Rossiiskoi Federatsii Federal'nomu Sobraniuu Rossiiskoi Federatsii (Moscow, July 8, 2000), available at <http://www.kremlin.ru/events/42.html>.

<sup>20</sup> The specific content of reform legislation are not discussed in this article. The measures implemented by Putin have already been discussed in detail in: M. Busygina, "Neue Strukturen des Föderalismus in Russland: Zu den administrativen Reformen von Präsident Putin," *Osteuropa* 12, Heft 10 (October 2001), pp. 1131-1145, this reference p. 1131.

<sup>21</sup> It is estimated that the new regulations will enable the center to control approximately 60 percent of the tax revenue pie (prior to the reforms the regions controlled 48 percent, and the Federation 52 percent of tax revenue): *Kommersant daily*, August 22, 2000.

<sup>22</sup> Heinemann-Grüder, *Putins Reform der föderalen Strukturen* [footnote. 12], p. 989.

In the context of the events surrounding the NTV and TV-6 television channels it comes as no surprise that in 2001 the view that Putin's recentralization measures were incompatible with democratic development again began to circulate in the West and among Russian liberals.<sup>24</sup> Many are likely to agree with Grigorii Yavlinskii, president of the Yabloko party, in his view that Russia has a "defective" and "unstable" democracy, warning that the Kremlin's goal is to integrate not only the media, but all non-State organizations into a "cooperative state" dominated by the Government.<sup>25</sup> Nikolai Petrov, former associate of the Carnegie Moscow Center, also sees the federal reforms as an effort to widen State control over society. In Petrov's view, not the least worrying indication of this is the fact that the State bureaucracy is being inflated by the recruitment of staff from the police and secret services apparatus.<sup>26</sup>

While it is not yet entirely clear what Putin's ultimate goals for his federal reforms are, it is possible to state with some confidence that a reversion to a unitary state according to the Soviet model at any time in the foreseeable future is unlikely, in view of the structural conditions associated with the weakness of the central State. In the opinion of Moscow political scientist Liliia Shevtsova, that kind of decentralization could be implemented only if the Kremlin was prepared to use force.<sup>27</sup>

The possibilities for Moscow to gain influence in the regions are limited. This can be seen, for example, in the fact that in the elections for Governors which have been held in over 50 regions between December 1999 and the beginning of 2001, Moscow has not always been able to secure the victory of its preferred candidates.<sup>28</sup> An indication that the Kremlin is no less averse to a confrontation than the regions can also be seen in the restraint observed by the Russian President so far in the dismissal of Governors – a right he holds under a law, again passed in summer 2000, simplifying the process of dismissing Governors.<sup>29</sup>

In the well-known case of the resignation of Yevgenii Nazdratenko, the Governor of the Primor'e territory in the Russian Far East under suspicion of corruption, Putin

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<sup>24</sup> On the media situation, see: "Russlands Medienmacht ballt sich in staatlicher Hand: Pressefreiheit unter Druck – aber keine völlige Gleichschaltung," *Neue Zürcher Zeitung*, February 16-17, 2002, p. 7.

<sup>25</sup> Grigorii Yavlinskii, "Liberalizm dlia vsekh," *Obshchaia gazeta*, June 28, 2001.

<sup>26</sup> Nikolai Petrov, "Policization versus Democratization: 20 Months of Putin's 'Federal' Reform" *Program on New Approaches to Russian Security Policy Memo Series*, No. 28 (January 25, 2002), available at <http://www.csis.org/ruseura/ponars/>.

<sup>27</sup> Liliia Shevtsova, "Logika vybornogo samoderzhavii," *Svobodnaia mysl'*, No. 4 (2001), pp. 26-33.

<sup>28</sup> *NG Stsenarii*, March 14, 2001.

<sup>29</sup> *EWI Russian Regional Report 5*, No. 21 (May 31, 2000) (Internet edition); Petr Koz'ma, "Gosduma podderzhala ogranichenie vlasti gubernatorov," *EWI Rossiiskii regional'nyi biulleten'* 2, No. 14-15

acted not by threatening legal action if the Governor failed to resign voluntarily, but rather by offering Nazdratenko a lucrative position in the federal Government, and making him the chairman of the State fisheries committee.<sup>30</sup> Putin has also demonstrated a willingness to make concessions by allowing a number of regional executive heads to stand for a third term, in some cases even a fourth term. This gives Governors still more time to consolidate their power bases within their regions.<sup>31</sup>

Structural conditions are not the only obstacle standing in the way of a highly centralized State; this kind of State would also be contrary to general globalization trends. Putin's reforms are much less tied to Soviet traditions and methods than some commentators initially suspected.<sup>32</sup> A review of his policies over the last two years indicates that this is a comprehensive blueprint for the modernization of the Russian economy and society that is primarily based on Western models, and therefore represents a continuation of the reforms commenced under Boris Yeltsin.<sup>33</sup> In this sense, Vladimir Putin and his team of reformers recognize that a Soviet-style centralized and autocratic approach is not an appropriate way of dealing with the problems facing Russia. To cope with the multi-faceted tasks and challenges accompanying a noticeably more globalized environment, Russia needs to have a central State with the ability to act effectively and a minimum critical mass of regional and local autonomy.

## **Region formation trends under Putin**

Like Gorbachev and Yeltsin before him, in his regional policy Putin has to wrestle with the problem of finding a balance between providing domestic stability and the meeting the challenges of globalization. On taking office, Putin found that he had to rectify the shortcomings of regionalism under Yeltsin by placing developments at sub-national level under increased control from the center. As before, the difficulty is how to increase State control without suppressing regional initiatives, and therefore

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<sup>30</sup> Busygina, "Neue Strukturen des Föderalismus" [footnote 20], p. 1139.

<sup>31</sup> Vladimir Gel'man, "De-demokratizatsiia regional'nykh vyborov: Ot Moskvyy do Yakutii," *EWI Rossiiskii regional'nyi biulleten'* 4, No. 2 (January 28, 2002) (Internet edition).

<sup>32</sup> See for example: Otto Luchterhandt, "'Starker Staat' Russland: Putins ehrgeiziges Programm," *Internationale Politik* 55, No. 5 (2000), pp. 7-14, this reference to p. 9.

<sup>33</sup> Roland Götz, *Präsident Wladimir Putins Wirtschafts- und Gesellschaftsmodell: Konzeption, Einflüsse, Realisierungschancen*, SWP-Studie, No. 13 (Berlin: Stiftung Wissenschaft und Politik, July

economic development. Given the scarcity of resources still faced by the central State, this is no easy task.

The dilemma in regional policy is particularly evident in the case of the federal districts. These can be seen as part of Putin's overall agenda, to the extent that they have been created in order to harmonize the legal environment, dismantle the various forms of interregional barriers and trade impediments and ensure the free flow of capital and information. Accordingly, the creation of the federal districts was in line with the integration of Russia into the world economy, which is the primary goal of official Russian foreign policy.<sup>34</sup>

At the same time, however, there have been reactions, specifically from regional governors, criticizing this new administrative structure as ultimately creating an obstacle to the deployment of regional initiatives and the integration of Russia into the structures of the world economy. For example Nikolai Fedorov, President of the Chuvash Republic, argues that Putin would be upholding the epitome of the Soviet tradition if he inflated the bureaucratic system and enforced the reforms using personnel from the secret services and the military. Others complain about the practice applied with increasing frequency whereby individual Governors are not able to contact Moscow ministries directly without prior consultation with the Presidential representative. Since in many sectors of activity – including foreign trade in particular – the regions have to work with the authorities in Moscow, the bureaucratization of decision-making and consultation mechanisms are seen as diminishing political and economic effectiveness.<sup>35</sup>

The fundamental drawback of the concept of the federal districts, exactly like the system of dividing the country into 89 federal entities, is that this is an administrative and political institution that has an administrative and control function and will not necessarily meet the criteria of market efficiency. In precisely the same way as the Governors, the President's representatives immediately set about consolidating their authority within their respective districts, implementing their own economic programs, and controlling financial flows via their contacts with the Moscow center, and also with actors from the business and financial sectors. For example, Petr Latyshev, Presidential representative in the Ural federal district, encouraged

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<sup>34</sup> The foreign policy blueprint document approved on June 3, 2000 is available in: *Rossiiskaia gazeta*, July 7, 2000.

<sup>35</sup> Oleg Alexandrov and Andrei Makarychev, *On the Way to Globalization: Administrative and Networking Strategies of Russia's Regions*, Regionalization of Russian Foreign and Security Policy Project, Working Paper No. 19 (Zurich: Center for Security Studies and Conflict Research, 2001),

businesspeople in his district to take their concerns not to the administration of the relevant Governor, but directly to him. By acting in this way, the Presidential representatives often come into conflict with other State authorities, naturally above all with the Governors. Prominent examples of such conflicts are the disputes between the Governor of the Sverdlovsk Oblast, Eduard Rossel and Petr Latyshev.<sup>36</sup>

An area not without its problems is the attitude of the Presidential representatives to forms of cooperation initiated by representatives of the regions, since such initiatives have the potential of escaping federal control. Friction arose in the case of the “Greater Ural” and “Siberian Accord” interregional associations. These two associations, which had also been relatively active in the Yeltsin period, are particularly inclined to circumvent the Presidential representatives on economic and political issues and either make decisions independently or in direct consultation with the Federation center.<sup>37</sup>

And finally, the weakness of the federal districts is also a consequence of the fact that their areas of competence were not clearly formulated at the outset. In a situation dominated by a lack of certainty, the Presidential representatives are less concerned with effectiveness than with the problem of how they extend their power bases at the expense of other institutions. The federal districts are still in the process of finding their niche in the Russian political landscape, and their identity in the global environment. Until this process has been completed, tension and conflict will inevitably continue to arise.

If Putin’s blueprint does prove to be effective, and a uniform administrative structure and infrastructure can be brought into being within the federal districts, the possibility of an amalgamation of regions and dissolution of the previous regional structure over the next few years cannot be discounted. If the center continues to be weak, the federal districts could either continue to lose significance, or the regions could decide to make use of this institution, and to act on their own initiative to create economic and political structures. Even if separatist aspirations are currently suppressed, it is not impossible – according to former Yeltsin adviser Georgii Saratov for example – that in that case the federal district might one day be able to separate from Moscow.<sup>38</sup>

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<sup>36</sup> Sergei Pushkarev, “Rossel, Latyshev Continue Fight,” *EWI Russian Regional Report* 6, No. 9 (March 7, 2001) (Internet edition).

<sup>37</sup> Alexandrov and Makarychev, *On the Way to Globalization* [footnote 35].

<sup>38</sup> Georgii Saratov, quoted from: Eberhard Schneider, *Das innenpolitische “System” Putins*, SWP-

New trends in region formation can also be observed at present on other levels. For example, it is likely that in the near future we will see a number of mergers between two or more federal entities. Putin has now submitted a draft law to Parliament designed to make it possible for federal entities to amalgamate on the initiative of the regions involved.<sup>39</sup> This integration process has in fact already begun in a number of regions. For example, the Komi-Permyak Autonomous Okrug is endeavoring to conclude an agreement with its richer neighbor to the south, the Perm Oblast. It is also likely that the Ust-Orda Buryat Autonomous Okrug will amalgamate with Irkutsk Oblast, which completely surrounds it.<sup>40</sup>

It is also interesting to note the developments taking place at the local self-government level. The authors of the report of the Nizhnii Novgorod Center for Strategic Studies, already referred to above, believe it is probable that the process of regionalization in Russia in future will not be dominated by the concept of large regions, but rather based on the expansion of urban autonomous structures and the development of cooperation arrangements between cities. According to the authors of the study, this would be more in line with the current trend of “glocalization”, i.e. a world which is increasingly interlinked in economic, political and cultural terms, with a simultaneous decentralization and shift of power towards local structures. They believe that the future is with the cities, as the natural centers for technological innovation, services and intellectual activities on the basis of a high concentration of human resources and a quality infrastructure. In their view, cities, being smaller and therefore more flexible than regions, are able to provide the economic potential required in the current environment of competition for global markets and information technologies.<sup>41</sup>

In the context of a general strengthening of local self-government (which will be discussed in the next section), there has also been an increasing trend towards mergers between cities. A recent example is the “Club of Six”, the merger of the six most populous cities of the Volga federal district, created in spring 2001. Entirely in accordance with the “glocalization process”, the founding document of the “club”

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<sup>39</sup> This would be subject to a positive outcome from a referendum in which the population of the regions affected were asked to vote on amalgamation, and approval of the merger by at least two-thirds of members of the State Duma and three-quarters of the members of the Federation Council. See: Pavel Isaev, “Putin Signs Law on Enlarging Regions,” *EWI Russian Regional Report* 7, No. 1 (January 9, 2002) (Internet edition).

<sup>40</sup> Ibid.

notes that large cities will be the technology, business and sociocultural centers of the future.<sup>42</sup>

## **Prospects of democratization in the regions**

While Putin's initiatives – for example the recent measures against the institution of free media – may give rise to fears of a set-back for democracy, there have been some developments within the regions moving in the direction of a landscape with an increasing pluralization of actors, thereby increasing the prospects of democratization. Even though in many regions power is still largely controlled by Governors and the quasi-authoritarian style of rule characteristic of the time under Yeltsin still prevails to some extent, a turnaround can be observed in this area, with the potential for more major changes in the future.

*First*, in spite of the low level of administrative efficiency of the federal districts and the limited respect in which they are held,<sup>43</sup> it appears that the Presidential representatives and the various local institutions in the regions now have a significantly higher profile than before. Whereas representatives of the Federation in the regions carried little political weight under Yeltsin, often actually being directly dependent on the regional authorities,<sup>44</sup> they are now much more visible, and above all more independent actors in the regional political landscape. In addition, according to Putin, 80 percent of the laws and constitutions of federal entities have been brought into line with federal legislation and the Russian constitution since the introduction of the seven Presidential representatives.<sup>45</sup> Even though the new institution has not yet been successful in other areas – such as the creation of a common infrastructure – (and likely to remain so, in view of the limited resources available and continuing lack of clarity regarding areas of competence), the changes which have occurred are

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<sup>42</sup> Strana.Ru information agency, April 24, 2001 (<http://strana.ru/state/2001/04/24/988110088.html>).

<sup>43</sup> In a survey conducted in November 2000, only 24 percent of those surveyed said they would regard the federal districts as a useful institution. In June that same year the figure was still 44 percent. See: Yuri Leveda, "The Year of Symbolic Order," *Russia on Russia: Administrative and State Reforms in Russia* (Journal edited by the Moscow School of Political Studies), No. 5 (2001) (Internet edition).

<sup>44</sup> Irina M. Busygina, "Das Institut der Vertreter des Präsidenten in Russland: Probleme des Werdegangs und Entwicklungsperspektiven," *Osteuropa* 46, No. 7 (July 1996), pp. 664-695; Nikolai Petrov, "The President's Representatives: 'Moscow's Men' in the Regions," *The Jamestown Foundation – Prism* 4, No. 7, part 2 (April 3, 1998) (Internet edition).

<sup>45</sup> *Kommersant daily*, May 14, 2001. – However the Presidential representatives have not yet succeeded in reigning in those regional leaders who emphasize their "State sovereignty" particularly strongly, and adopt a legal stance at odds with federal norms (particularly prominent in this regard are republics such

significant insofar as Presidential representatives are now prepared to criticize Governors and challenge their authority directly and in public (in the media, for example).

*Secondly*, the Putin reforms have also increased the importance of the regional Parliaments. The new federal legislation grants the regional legislative body rights and competencies giving it greater latitude vis-a-vis executive. Thus the regional legislative authority may block the appointment of the candidate for the Federation Council nominated by the executive with a two-thirds majority, and has a similar veto to block a decision to dismiss the representative.<sup>46</sup>

The constellation of political actors in the regions could also be affected by proposed legislation currently under discussion on the election system in the regions. Among other provisions, the draft law would see elections for the regional Parliaments based – in the same way as in the State Duma – on half the members being elected by proportional representation on the basis of party lists and the other by the direct, or “first past the post” election of candidates in electorates, with one seat each. To date political parties have played only a minor role in the regional political landscape – only around 20 percent of MPs are currently members of a party. If the draft law is passed, as well as potentially giving increased momentum for the formation of a party-based political arena in the regions, this would probably also strengthen the legislative in relation to the executive.<sup>47</sup> This would promote political pluralism in the regions and at the same time fit in with the efforts of the Kremlin to restrict the power of the Governors.<sup>48</sup>

*Thirdly*, the institutions of local self-government could also free themselves to some extent from the tight grasp of the authorities of the federal entity. Even though under the Constitution local self-government authorities are explicitly not subordinate to the regional authorities, the regional structures have always been at pains to ensure that local self-government is implemented as they see fit. This still applies today, to the extent that in many regions the heads of local government departments are appointed

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<sup>46</sup> *Neue Zürcher Zeitung*, July 27, 2000; *EWI Russian Regional Report* 5, No. 29 (July 26, 2000) (Internet edition).

<sup>47</sup> Vladimir Gel'man, “The Future of Regional Electoral Reform,” *EWI Russian Regional Report* 6, No. 33 (September 26, 2001) (Internet edition).

<sup>48</sup> Pavel Isaev, “Kremlin Seeks to Move Regional Legislatures from Governors’ Control,” *EWI Russian*

by the regional authorities, and entirely dependent on the regional budget for funding.<sup>49</sup>

During the first year of his term of office Putin took a cautious line on the issue of local self-government, but recently on several occasions he has come out in favor of strengthening local self-government, and he has now made it quite clear that he will be focusing on this issue in future.<sup>50</sup> He highlighted this intention in mid-2001 with the appointment of a commission to be headed by Dmitrii Kozak, the Deputy Head of the Presidential administration. The commission has been tasked with formulating guidelines for the development of local self-government, and its report is expected to be submitted in July 2002.<sup>51</sup>

The situation of local self-government became the subject of intensive debate at the time of Putin's monthly meeting with the seven Presidential representatives, where Putin urged them to start campaigns in their districts to strengthen this institution which had previously been neglected.<sup>52</sup> According to Sergei Kirienko, the Presidential representative in the Volga federal district, this instruction included the formulation and implementation of clear legal principles setting out the rights and competencies of local self-government vis-à-vis other State government levels, the development of legal principles with a view to promoting the independence of local self-government from regional authorities, and ultimately the increased involvement of these institutions in regional strategic planning within the regional districts. Kirienko himself sees the strengthening of local self-government as an important instrument for the continuing democratization of Russia.<sup>53</sup>

How far it will be possible to implement these plans remains to be seen. However there are at least two indications to suggest that the situation of local self-government has already improved over the previous position. First, from the beginning of his term of office, Putin has clearly identified himself as a defender of the interests of Russia's politically and economically important cities.<sup>54</sup> This is a point of considerable

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<sup>49</sup> As a general reference, see: Eberhard Schneider, *Die örtliche Selbstverwaltung in der Russländischen Föderation*, Berichte des Bundesinstituts für ostwissenschaftliche und internationale Studien, No. 15 (Cologne: Bundesinstitut für ostwissenschaftliche und internationale Studien, 1998).

<sup>50</sup> Robert Orttung, "Economic, Political Resources Increasingly Concentrated," *EWI Russian Regional Report* 7, No. 2 (January 16, 2002) (Internet edition).

<sup>51</sup> Svetlana Mikhailovna, "Putin Establishes Committee to Divide Power Between Levels of Government," *EWI Russian Regional Report* 6, No. 25 (July 3, 2001) (Internet edition).

<sup>52</sup> *EWI Russian Regional Report* 7, No. 1 (January 9, 2002) (Internet edition).

<sup>53</sup> *EWI Russian Regional Report* 7, No. 5 (February 6, 2002) (Internet edition).

<sup>54</sup> This can be seen not only from the various statements made on this issue, but also from the fact that

importance, in that many large cities and their mayors have long been struggling against having their decisions made for them by the political leadership of the regional centers. Putin's position on this issue could lead to these conflicts being resolved in favor of the cities and an extension of their autonomy.

Secondly, the institution of local self-government has also benefited from the trend towards harmonization of the legal environment and a stronger emphasis on constitutional and federal law. In this context, a recent Court decision could become a national landmark judgment. This is the ruling of the Russian Supreme Court of March 30, 2001 stating that the 125 local chairpersons of the districts of Moscow City must be elected in future, rather than being appointed directly by the Mayor of the city, Yurii Luzhkov (although Lu\_kov has now succeeded in ensuring that the elections will not be held until December 2003).<sup>55</sup>

*Fourthly*, it appears that transnationally operating business and finance groups have also become more significant as regional actors. In some regions such parties have even begun systematically buying up shares in regional corporations. For example, the "GAZ" automobile plant in Nizhnii Novgorod has come under the control of the "Siberian Aluminum" group headed by the prominent entrepreneur Oleg Deripaska.<sup>56</sup> In many cases these new economic players not only control the capital of the business, but also immediately replace their management with younger, well-qualified specialists who are used to operating in a free-market environment.

This development has consequences for the relationship between politics and business in the regions. Under the Yeltsin system the directors and political office-holders often supported each other – for example by business actors promising to support the politicians' campaigns in return for tax concessions –, but the new business operators in the regions prefer an institutionalized relationship. Business promise to pay their taxes and any debts owed to the State, but take an impartial attitude to political power. This also reduces the capacity of Governors to exert influence.<sup>57</sup>

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government" the Governors and Republic Presidents are generally permitted to dismiss local self-government heads if they breach federal law. However, the law also includes an important restriction, in that mayors of regional capitals can only be dismissed by the President of the Russian Federation. The text of the law has been published in: *Rossiiskaia gazeta*, August 8, 2000

<sup>55</sup> Robert Orttung, "Luzhkov in Putin's Russia: Cutting the Mayor Down to Size," *EWI Russian Regional Report* 6, No. 19 (May 23, 2001) (Internet edition).

<sup>56</sup> *EWI Russian Regional Report* 6, No. 1 (January 10, 2001) (Internet edition).

<sup>57</sup> Robert Orttung, "The Impact of Putin's Reforms on Russia's Governors." Paper presented at the conference "Federalism in Putin's Russia" held on September 29-30, 2000 at the East West Institute's Moscow Center as part of the Carnegie Corporation of New York's Russia Initiative (available on the

The situation is somewhat different when business magnates intervene directly in politics, as has occurred increasingly frequently over the last two years.<sup>58</sup> Prominent Russian entrepreneurs have now been elected as Governors of five out of ten autonomous areas in Russia. This marks the beginning of a new generation of politicians, who as well as having entrepreneurial skills and management experience are also aware that international (Western) actors are more likely to be willing to invest if the political processes in a region are characterized by a basic minimum of political transparency, and compliance with democratic norms and rules. However the election of entrepreneurs to executive office brings the risk that political power and business merge into a single indivisible complex, since financial wealth and political status give such officials almost unlimited resources to extend their authority within the region almost at will.<sup>59</sup>

*Fifthly*, certain decisions of the federal Government have also contributed towards better compliance with the principles of the free market and political transparency. An impressive example can be seen in the federal regulation to take decisions on the allocation of fish product export quotas out of the hands of the Governors, and to organize the allocation process by public auction, which in the view of Russian Minister of the Economy German Gref is the clearest and most transparent mechanism for quota allocation.<sup>60</sup> Most Governments in the Russian Far East have endeavored (without success) to oppose this decision, since they were well aware that this would damage the paternalistic networks on which their authority largely depends.<sup>61</sup>

The developments outlined above are side-effects rather than the actual goals of Putin's reforms. Even though the Governors are still firmly in the saddle, the situation has changed since Yeltsin's time to the extent that more actors than before are now involved in political processes and those in power are now exposed to competition. In the words of Robert Ortung, the Putin reforms have "unexpectedly opened up wider spaces of freedom for some activists".<sup>62</sup> This sort of situation, with several power

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<sup>58</sup> This development is also an indirect consequence of Putin's policy. His efforts to restrain the influence of the "oligarchs" and exclude them from national politics has frequently led them to shift their base into the regions and form links with regional politicians. Whether this may be the breeding-ground for a new opposition against the Kremlin, as some commentators have suggested, is not yet clear. See: Pavel Isaev, "Svarshchivanie 'oligarchov' i regional'nykh vlastei: Nachalo novoi oppozitsii Kremliu?," *EWI Rossiiskii regional'nyi biulleten'* 4, No. 1 (January 14, 2002) (Internet edition).

<sup>59</sup> Zubarevich, "Krupnyi rossiiskii bizness na regional'nykh vyborach" [footnote 9].

<sup>60</sup> *Vremia novostei*, February 19, 2001.

<sup>61</sup> Vasilii Spiridonov, "Poslednie dary moria," *Itogi*, March 13, 2001, pp. 32-37.

centers in the course of being established, provides a better basis for democratization than a situation where power is monopolized by one single actor.

This development is generally in line with the globalization trend, and increased integration of Russia into global structures and relationships is also likely to promote democratization trends in Russia. However the continuation of the democratization process can ultimately only be guaranteed if it is actively supported by the Kremlin. The current situation in the regions, with several power centers becoming established, would appear to be relatively favorable. However it is essential that the prevailing view within the Russian leadership is that the way to prevent corruption, abuse of office and monopolization of power in the regions is not still more new laws, regulations and bureaucracy, but a precisely-targeted consolidation of the existing democratic institutions. Strengthening the regional Parliaments, creating a judicial system not dependent on political considerations, providing funding support for the structures of local self-government, promoting the development of small and medium-sized business, activating the presence of political parties, or ensuring the freedom of the media, are techniques which could be used to restrict the power of the regional executive and combat the associated negative effects of regionalism.

## **Future outlook**

On the assumption that Russia's leadership will continue its efforts towards the modernization of the country, in terms of region formation it can be expected that the significance of the federal entities ("federal subjects"), as the hitherto defining structure of regionalism, will continue to decline. The trend may be towards the formation of large regions and/or strengthening of the local level of government.

However Russia's successful participation in global economic and social processes is also dependent on reinforcement of its democratic institutions and increased transparency in political processes. The Kremlin has placed the focus of the reforms on centralization and the strengthening of State control. The fact that Putin's centralization measures within the regions have also lent momentum to pluralization of the actors in the regional landscape is positive, but represents an accidental spin-off rather than the intended aim.

The direction in which the situation in the regions will now develop is not yet clear. It is certainly an encouraging sign that the processes are still in process. They will probably not be brought to halt for such time as such important initiatives as strengthening local self-government – and also other reforms such as the justice

reform to strengthen an independent judiciary – are still moving ahead and being publicly discussed.