

## Analysis

### Putin's Political Legacy

By Robert Orrtung, Washington

Russian President Vladimir Putin has created a political system that is in many ways unique to Russian history as it combines some Soviet practices, achievements from the Gorbachev and Yeltsin period, and new features. Russia is much more open to foreign influence than it was during the Soviet period. Most Russian citizens are free to travel, and Russians have access to the Internet, which provides unfettered information, debate, and some ability to organize on line. With the end of official state planning for the economy and the occurrence of high oil and gas prices, Russian citizens are now better off economically than ever before. Consumer goods are widely available, giving the average person a sense of well being. In contrast to the upheavals of the 1990s, Putin has been able to create a feeling of stability in the political system that has made him enormously popular with his constituents. Yet, these accomplishments have been accompanied by a systematic assault on democracy and civil liberties. During his eight years in office, Putin has returned to some of the Soviet-style approaches to ruling Russia, particularly the centralization of power. In a new twist, however, he has carved out a strong autonomous role for the security services. While the system is apparently stable in the short term, it lacks the basis for long-term institutionalization.

#### Putin's System

Putin's system is distinguished by the power that it gives the Federal Security Service (FSB), the successor to the KGB. While the role of the security services somewhat diminished during the Yeltsin period, now the FSB is the most decisive player in Russian politics. Its agents make up a large share of the Kremlin staff and they are increasingly taking charge of key business posts in Russia's ever-expanding state-controlled business sector. The FSB has created a closed political system, with essentially no outside oversight, that thrives on defining external enemies and is pursuing an aggressive foreign policy.

Putin's political system has eliminated all uncertainty from elections. Russia's last real electoral battle pitted Putin and his allies against Moscow Mayor Yury Luzhkov and former Prime Minister Yevgeny Primakov in the 1999 State Duma elections. Putin won that battle and, upon coming to power, systematically turned elections into nothing more than a process in which the public is given a chance to validate decisions already made in the Kremlin. The March 2008 elevation of Dmitry Medvedev to succeed Putin is simply the latest milestone in this process. As it has in previous elections, the Kremlin used the state's resources to ensure that Medvedev was elected. The state-controlled television networks devoted extensive coverage to Medvedev and officials applied pressure in the workplace to ensure that a large number of voters turned out and voted appropriately. Since the Kremlin has extensive control over Russia's hierarchy of electoral commissions, there was little chance that the outcome and vote totals would not be the "correct" ones. Just to be sure, all authentic oppo-

sition candidates were removed from the ballot and Medvedev refused to debate the ones who remained.

Since the text of Russia's constitution forbids presidents from serving more than two consecutive terms, Putin decided to hand off formal power to a hand-picked ceremonial successor while staying on himself by serving as prime minister. Putin's informal power as prime minister will now be more important than the formal powers of the president, apparently in violation of Russia's constitution, which gives most powers to the president. How relations between Putin and Medvedev will develop in practice remain to be seen. However, all indications now point to Putin remaining at the top of the pyramid, with Medvedev playing a subsidiary role. The main winners will be the shadowy groups around Putin who will continue to control the assets that they amassed over the last eight years. Since political and economic power are increasingly connected under Putin's system, and property rights remain shaky, Putin and his cohorts cannot leave political office without putting their economic gains at risk.

While Putin came to power stressing the rule of law, he has presided over an essentially lawless system. Russian laws are applied selectively by politicians and bureaucrats who use them to pursue their own interests. Individuals, organizations, and businesses that cross the regime sooner or later find themselves investigated by the tax authorities or fire inspectors, who quickly make it impossible for them to continue their activities. In a prominent example, the Kremlin exerted pressure on Shell by accusing it of violating Russian environmental law. When the company finally sold a major part

of its assets to Gazprom, the environmental concerns disappeared.

### **Toothless Parliament**

With their control of the electoral process, Putin and his colleagues turned the parliament into a body with little weight in the policy-making process. In this respect, Putin follows a Russian tradition for showcase legislatures dating back to the tsarist era. Only during the late Soviet period and Yeltsin era did the legislature have an impact on the direction of Russian politics. For the December 2007 State Duma elections, Putin once again tweaked the electoral law so that all seats would be elected on the basis of party lists, eliminating the half that previous were elected in single-member districts.

The impact of that change was to further increase central control over the political process. The three pro-Kremlin parties won 393 of the 450 seats. The only opposition party to make it into the parliament was the Communists with 57 seats. The party lists are decided in Moscow and there is little representation of authentic regional interests in the legislature. In the past, the governors often had close relations with the Duma members who represented their specific regions, but this regional lobby no longer functions the way it once did.

In the upper chamber, Putin changed the rules so that each region is now represented by appointees chosen by the governor and the regional legislatures. In practice, the Kremlin plays a big role in deciding who wins these appointments. When Putin came to office, the governors and chairs of regional parliaments sat in the upper chamber and used these positions to lobby for regional interests at the federal level.

### **Federalism**

Putin has eroded many of the key features of the federal system that developed under Yeltsin. Imposing greater central control over the regions was one of the first reforms that Putin addressed on coming to power. During the 1990s, the regional leaders often ignored federal law and set themselves up as mini-dictators in their own regions. Putin's first reforms sought to reimpose control by establishing seven federal districts, each led by a presidential representative, who would supervise the regions under his control. This reform effectively brought regional laws into harmony with federal norms. Now the seven super-governors focus on identifying suitable personnel among the regional elite and monitoring actions in the region in order to report back to federal leaders.

Putin made a dramatic change in the federal system in the wake of the 2004 Beslan tragedy by can-

celing future gubernatorial elections and taking the power to appoint governors for himself, needing only the approval of the regional legislature, which in practice has never been a problem. Initially, Putin mainly left in place the governors who had long served in office. However, more recently, he has been replacing ineffective or somewhat autonomous governors with officials who are more likely to follow the Kremlin line. Now the governors are no longer beholden to their constituents, but to the president.

Local government is in a state of suspended animation. A reform of the entire system was adopted in 2003, but its implementation was postponed until 2009, well after the presidential elections. In any case, municipalities have little self-controlled revenue and therefore must look to the governors and Kremlin for financing.

### **Courts**

Russia's courts lack independence since they remain subject to political pressure. When the Kremlin needs a political decision in its favor, there is no doubt that the courts will provide it. The most glaring example was in the prosecution of Yukos.

Clear evidence that the Russian people have little confidence in their justice system is the large number of cases that are appealed to the European Court of Human Rights in Strasbourg. More Russian citizens file cases with the court than any other country in the Council of Europe. The court's documents show that as of 1 January 2007, of some 90,000 cases pending before the court, approximately 20,000 originated in Russia. More than 10,500 applications were logged in 2006 alone, double the 2003 figures and an increase of more than 400 percent over 2000.

There have been some improvements in the Russian legal system with the introduction of a new criminal procedure code and jury trials. However, implementation of these reforms has been slow. Although jury trials are more likely to return a not guilty verdict than judge-decided trials, higher courts frequently overturn these decisions and can send cases back for new trials as many times as it takes to obtain the desired decision.

### **Media**

The media has been a prominent victim of Putin's program to reassert political control over Russia. The key to Russian mass politics is television since that is where most citizens get their news. During the 1990s, Channel One had come under the control of oligarch Boris Berezovsky and Vladimir Gusinsky had set up the country's first independent television network, NTV. The broadcasters then could hardly be described as objective since they supported Yeltsin's reelection in

1996, but they did provide a pluralism of views and had been critical of some state policies.

That is no longer true. The state has reasserted control over all major television networks, either directly or through state-friendly companies like Gazprom, and carefully manages their content. There are no more live political talk shows. Such discussions are now filmed in advance so that editors can remove unwanted comments. There are also blacklists preventing the most outspoken critics of the government from gaining air time. Additionally, working through friendly companies, the Kremlin has ensured that the owners of key newspapers like *Kommersant* and *Izvestiya* respect the state line. In papers like *Kommersant*, the new owner has not removed all criticism, but apparently makes sure that it does not go too far. The feisty radio station Ekho Moskvy, likewise, is owned by Gazprom, but continues to provide critical analysis.

The Internet remains largely unfettered, though again Kremlin-friendly companies have bought up important news sites such as *gazeta.ru*. Blogs are extremely popular among Russian activists and it is often possible to read the reports of brave citizens who are in conflict with their government. Rather than cracking down on the Internet in the Chinese style, the Russian state has instead funded a large number of young people to place pro-Kremlin comments in various forums, seeking in this way to influence the hearts and minds of the rising generation.

Journalists have particularly suffered under Putin and Russia is now one of the most dangerous countries for journalists to work. At least 14 journalists have been slain for their work since Putin came to power and the authorities have not identified the masterminds behind any of these crimes. The most prominent victim was Anna Politkovskaya who criticized Russian actions in Chechnya. Recent amendments to the law on extremism make it very difficult to voice criticism of the authorities without putting oneself in jeopardy of legal prosecution.

### Civil Society

The law on non-governmental organizations adopted in 2006 made it very difficult for such groups to operate in Russia. Now they have to meet extensive registration and reporting requirements which make them vulnerable to bureaucratic manipulation. Groups that become involved in areas that the authorities want to monopolize, such as the Russian-Chechen Friendship Society of Nizhny Novgorod, find themselves under intense pressure.

A major problem for Russian organizations is their inability to raise money domestically. Yukos had started to provide funding for some organizations, but

its destruction sent a strong signal to other companies not to engage in this process. As a result, many human rights groups are dependent on foreign funds. Because the Kremlin fears that outside funders are seeking to overthrow the current regime, the authorities have been working to crack down on the external sources.

Following the destruction of Yukos, business no longer plays an active political role. Yukos President Mikhail Khodorkovsky had announced ambitions to seek the presidency, but his sentencing to eight years in a Siberian jail cooled the ardor of any other businesses to become involved in the political process. The state is reasserting control over the most important business sectors in Russia, with top officials in the Kremlin now combining their political work with leading positions in Russia's top companies. While he served as first deputy prime minister, for example, Dmitry Medvedev was also chairman of the board for Gazprom.

### Corruption

One of the main features of the current regime is its extensive corruption. Corruption was a major problem for Russia in the 1990s, when many of the country's most lucrative assets were sold off for bargain prices in such rigged auctions as the loans-for-shares deals. Although Putin has frequently talked about this problem, he has accomplished little in reducing its prevalence and Medvedev has said that he will make fighting this scourge a priority.

Of course, it is impossible to fight corruption effectively when there is no free media, independent courts, or active watchdog groups in civil society. In these conditions, the only actor left is the state and the bureaucrats who control its levers have little interest in dealing with the problem. Business groups feel that it is futile to change the system, since bribes are an integral part of doing business. While there are frequent accusations of corruption in the press, these exposes are usually politically-motivated attacks reflecting the hidden political battles of powerful clans.

### Conclusion

During his eight years in office, Putin systematically dismantled the key building blocks required for a functioning democracy. The governing system now in place has few possibilities to gain information about what is going on in society and even fewer opportunities for citizens to influence the decision-making process. Since most of the formal political institutions have been hollowed out, the system is largely designed to work around one man.

A significant portion of the country's income depends on the price of oil. As a result, Russia is vulnerable to changes in the international commodities market at the same time that its political system is extremely inflex-

ible. Putin's political system works well for extracting the super profits of the Russian energy sector and has benefitted from the recent high prices, but its rigid centralization is not suited for a country that hopes to

compete in an information-based, innovation-focused global world economy. Whether the system can long survive a potential drop in energy prices is a real question.

#### *About the author*

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#### *Suggested reading*

- Vladimir Ya. Gel'man and colleagues, *Tretii elektoral'nyi tsikl v Rossii, 2003-2004 gody* (St. Petersburg: European University in St. Petersburg, 2007).
- Michael McFaul and Kathryn Stoner-Weiss, "The Myth of the Authoritarian Model: How Putin's Crackdown Holds Russia Back," *Foreign Affairs* 87, No. 1 (January-February 2008): 70–84.
- Global Integrity Scorecard: Russia 2007, <http://report.globalintegrity.org>.
- Freedom House, "Russia" in *Freedom in the World* (<http://www.freedomhouse.org/template.cfm?page=15>) and *Nations in Transit* (<http://www.freedomhouse.org/template.cfm?page=17&year=2006>).

## Analysis

### Putin's Economic Legacy

By Anders Åslund, Washington

#### Abstract

Putin was lucky to become president when Russia's arduous economic reforms were close to completion and high growth had already taken off. Most deregulation and privatization were done in the early and mid-1990s. However, the opposition to financial stabilization led to huge budget deficits and the 1998 crash. Luckily, the financial crisis completed the market transformation and taught the elite the need for sound budgetary policies. Putin continued the reforms for two and a half years, pushing ahead with radical tax reform, improving conditions for small business, and allowing trade in agricultural land. Unfortunately, reforms came to a screeching halt with the confiscation of Yukos in 2003. A wave of renationalizations followed, driven by extensive corruption. Oil prices rose dramatically in 2004, allowing Putin to ignore all reforms. At the end of 2007, Russia returned to deficit spending although inflation was surging. Putin formulated the goal of joining the World Trade Organization by 2003, but Russia is still not a member because he allowed protectionist interests to override the national interest. At the end of his second presidential term, Putin leaves a large backlog of badly needed reforms.

#### Right Place, Right Time

Fate is not necessarily fair. Some are born with a silver-spoon in their mouth, and some just happen to be in the right place at the right time. Vladimir Putin should go down in history as one of the lucky ones who happened to be in the right place at the right time, as Talleyrand said about Lafayette, but hardly accomplished anything positive.

On New Year's Eve 1999, Boris Yeltsin announced his resignation. He felt he could leave, because at long last Russia's economic reforms had been successfully completed. His big mistake, however, was to pass on power to a mediocre lieutenant-colonel in the KGB,

who had been such a failure that he had ended up in the reserve in St. Petersburg.

The 1990s comprised Russia's heroic decade. Boris Yeltsin announced his market economic reforms in October 1991. Chief reformer Yegor Gaidar liberalized prices and trade, rendering Russia a normal market economy by 1994. Minister of Privatization Anatoly Chubais privatized so successfully that no less than 70 percent of GDP pertained to the private sector by 1997.

#### Resistance to Reform

In spite of extraordinary efforts by the reformers, the resistance against financial stabilization prevailed. State