

Analysis

Tyumen Oblast: The End of a Decade of Quiet

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Abstract

Tyumen Oblast produces most of Russia's oil and natural gas and tax revenues from this output has helped provide for political stability in the region. Now, the federal government is planning to redirect these financial flows to Moscow. The loss of this income in Tyumen has the potential to reignite the tensions that divided the region in the 1990s.

Russia's Oil and Gas Powerhouse

Tyumen Oblast is a region with a complex structure. Within the oblast are the Khanty-Mansii and Yamal-Nenets autonomous okrugs, which are simultaneously constituent parts of the oblast and of equal rank with it. The okrugs produce 67 percent of Russia's oil output and 91 percent of its natural gas. The producers of these resources include some of Russia's largest companies: Gazprom, Rosneft, Surgutneftegaz, Gazpromneft, and LUKOIL. The southern part of the oblast is an agricultural zone with several industrial enterprises, the largest of which is the Tobolskii Petrochemical Combine. The oblast's overall population is approximately 3.4 million individuals, which includes a half million in Yamal-Nenets, 1.5 million in Khanty-Mansii, and 1.3 million in the south.

The Open Politics of the 1990s

In terms of its politics, the Tyumen Oblast of this decade is strikingly different from the Tyumen Oblast of the 1990s. The key parts of this "nesting doll" region are the gas-producing Yamal-Nenets and the oil-producing Khanty-Mansii, whose inequality in relation to the oblast authorities sets the terms of the relationship. The two okrugs and Tyumen Oblast are equal subjects of the Russian Federation, which creates legal and political difficulties: formally the oblast has a consolidated budget and the supreme state organs are the Tyumen Oblast Duma (the elections to which are conducted in all three regions) and the oblast government. However, in practice, only the south falls under the jurisdiction of these bodies. The okrugs are de facto absolutely independent: they have their own governors, Dumas, and budgets. Only the southern parts of the oblast follow the oblast budget and laws.

Today the long-serving governors of the okrugs, Yuri Neelov in Yamal-Nenets and Aleksandr Filipenko in Khanty-Mansii, have likely forgotten the dramatic battle they waged with Oblast Governor Leonid Roketskii in the 1990s. Under the slogan "fighting with separat-

ism," Roketskii tried to redirect south some of the profits from energy production that then flowed into the northern okrugs. During the 1990s, these political battles were fought in the open and were personified in the struggle between the heads of the resource okrugs and the oblast administration located in the southern agricultural area. The political parties existing then were weak and did not play a significant role. Rather, this was a confrontation between the elites and the administrative resources they wielded. The key moments were the oblast's gubernatorial election in 1996, which the okrugs either completely (Yamal-Nenets) or partially (Khanty-Mansii) ignored, and the gubernatorial elections of 2001, in which the northern candidate Sergei Sobyenin defeated Leonid Roketskii.

Sergei Sobyenin and the Okrugs, 2001–5: Compromise from a Position of Strength

The election of Sobyenin as governor marked a change in the political order in Tyumen Oblast. Although he also came from the north, the new oblast leader differed from the governors of the okrugs in that he had good contacts at the federal level and the possibility of winning a political promotion from Siberia to Moscow. Before his election as governor, he had served as the chairman of the Khanty-Mansii Duma, a member of the Federation Council, the upper house of the national parliament (1996–2000), and the first deputy presidential representative in the Ural Federal District (2000), where he gained a reputation as a public servant with the qualities of rationality, pragmatism, and "sistemnost." Sistemnost is a word that became popular in the Russian political lexicon at the beginning of the 2000s. It replaced the politically incorrect term obedient (*poslushanie*) and describes someone who is prepared to implement any decision handed down from above. Sobyenin demonstrated his systemic character in the Federation Council, where he chaired the commission set up to deal with the scandal caused by Procurator General Yurii Skuratov. [Skuratov provoked the Kremlin's ire by inves-

titating corruption at the highest levels of Russian politics.] At this time, Vladimir Putin was the head of the Federal Security Service and presumably had contact with Sobyenin. After the Kremlin secured Skuratov's removal with Sobyenin's help, Putin became Russian prime minister (1999) and shortly thereafter Sobyenin became the Tyumen governor (2001).

In politics, there is no heart, only head, as Napoleon pointed out. After their victory over Roketskii, Sobyenin and the okrug governors became embroiled in long and difficult negotiations hidden from public view about the division of power between the oblast and the okrugs. Ultimately, Sobyenin managed to replace his agreement to preserve the de facto equal relations between the oblast and okrugs with a new arrangement in which the okrugs provided significant financial support to the oblast administration. According to Russia's budget code, the budgets of the okrugs and oblast should receive 5 percent of the tax on the production of fossil fuels (NDPI). But Sobyenin succeeded in directing all the income from the resource tax exclusively to the oblast budget in the 2004 "Agreement on relations between Tyumen Oblast and the autonomous okrugs." The oblast then redistributed a significant amount of this money to the okrugs through the so-called Cooperation program. Additionally, the autonomous okrugs transferred to the oblast budget income from the 29.5% organization profit tax. As a result, the oblast's income increased 6.7 times (see Tables 2 and 3). By 2005, Tyumen Oblast's income was about the same as Khanty-Mansi's and was twice as big as Yamal-Nenets's, even though just one year earlier, Tyumen's budget had been equal to Yamal-Nenets' (53.9 billion rubles) and about half as large as Khanty-Mansi's (143.8 billion rubles).

The Kremlin helped Sobyenin achieve this compromise from a position of strength by announcing and then implementing the idea of merging Russian regions into larger units. During 2003–2004 rumors actively circulated in Tyumen that Sobyenin was preparing to begin an analogous process in the oblast. Doing so would have effectively abolished the okrug governments and left the oblast government in charge of the entire territory. Additionally, the presidential administration actively participated in the negotiations among the three components of Tyumen. The initial plans for funding the Cooperation program during the years 2005–2009 were 104.5 billion rubles, but this number grew constantly. About half of the money was designated for road construction. In reality, this program during the years 2005–2008 spent 124 billion rubles, approximately the annual budget of Tyumen Oblast

(see Table 4). The actual amounts of the expenditures were determined by reconciliation committees and in the course of personal meetings of the three governors. None of the players ever held public briefings to explain what kind of deals were made during the negotiations and there was very little public information about the program. During 2005–2006, the Tyumen Oblast Accounting Chamber tried to conduct an audit of the Cooperation program expenditures, but this effort ended with the firing of the Chamber's chairman.

The Sphere of Public Politics

The sphere of public politics in Tyumen Oblast constantly narrowed during the last ten years, following the tendency at the federal level. In 2004, gubernatorial elections were effectively replaced with presidential appointments. When Putin named Sobyenin as head of his presidential administration in November 2005, he appointed Vladimir Yakushev as Tyumen governor. Accordingly, Yakushev never had to win the support of the population. Before his appointment, he was the president of Zaksibkombank, then first deputy governor in Sobyenin's administration, where he was in charge of financial issues. Another sign of the closing of public politics in Tyumen was the 2004 decision to replace mayoral elections with the appointment of city managers.

Tyumen's legislative elections also show how the public sphere has narrowed since 2000. During the last ten years, the oblast has conducted two elections for the Oblast Duma, in 2001 and 2007. In 2001, the oblast used the single-member mandate electoral system, electing one representative from individual districts, which created competition among the individual personalities. The majority of candidates positioned themselves as active entrepreneurs and managers, while stressing their close ties to the executive branch and their lack of party membership. The only exception was A. K. Cherepanov, a member of the Russian Communist Workers' Party (RKRP). However, after the election, the majority of deputies in the Oblast Duma joined Putin's United Russia party, which set up its own faction in the oblast legislature. In 2005, this faction included 17 of 25 Duma members.

The 2007 Oblast Duma elections were dull and largely were "a legal ratification of a previously-approved agreement among the elite on the distribution of mandates." This time half of the seats were distributed in single-mandate districts, as before, and half through proportional representation. Candidates not loyal to the authorities were simply removed from the elections, including the RKRP's Cherepanov and the Communist

Party of the Russian Federation's T. N. Kazantsev. The pro-Kremlin United Russia won 65.89 percent of the vote in the proportional representation part of the ballot (see Table 5). After winning every single district, United Russia controlled 30 of 34 seats in the Duma. Thus, it managed to completely dominate the Duma in the course of one electoral cycle. Such an outcome should surprise no one since the candidates who ultimately became members of the Duma were either put there by the oblast or okrug administrations or were agreed upon in advance. The politicians could accept any label as long as it guaranteed them membership in the Duma. One member of the Duma from Just Russia and two from the Liberal Democratic Party are no different from the United Russia deputies either in terms of biography or values. Before they entered the Duma on the party list, none of the new members were public politicians. The transcript of 2009 Oblast Duma sessions demonstrate that deputies do not even conduct discussions or debates among themselves. They simply rubber stamp initiatives adopted by the executive branch.

Tyumen Oblast in the Year of Crisis

Like the rest of the country, Tyumen Oblast was not prepared for the financial crisis that hit in the fall of 2008. Already by February 2009, the administration and Oblast Duma had to cut the anticipated revenue for the budget by 50 percent from 110.3 billion rubles to 55.1 billion rubles as a result of the drop in energy prices. As a result, the authorities slashed 28.2 billion rubles from the budget for investment in capital construction. Funding for the oblast's targeted programs fell 34.2 percent (37.9 billion rubles). The programs that faced the biggest cuts were the Cooperation program, which lost 16.9 billion rubles and the housing program, which lost 4.2 billion rubles. By the end of 2009, the budget deficit is expected to be 32.9 billion rubles. During the first seven months of 2009, investment in basic capital fell 11.6 percent, while overall industrial production fell 7.2 percent. The budget planned for 2010 includes a significant deficit, win revenues of 86.8 billion rubles and expenses of 92.1 billion rubles.

There are only 6,500 unemployed in Tyumen Oblast according to the Center for Employment of the Population. However, these figures are likely to be inaccurate since they do not take into account hidden unemployment and workers forced to take involuntary furloughs or shortened work weeks.

A new federal law, which has been passed by both houses of parliament but not yet signed by the president, will redirect at least 30 percent of Tyumen's current revenue to the federal government in future years by giving the federal government complete control over the fossil fuel tax (NDPI). For the next four years, the Ministry of Finance will give the oblast subsidies of the 5.5 percent of the NDPI tax that used to go straight to the oblast on a decreasing scale: 100% in 2010; 75% in 2011; 50% in 2012; and 25% in 2013. The change in this tax distribution immediately deprives Tyumen of its status as a donor to the Russian budget. Tyumen politicians have expressed alarm. Purchasing the loyalty of elite costs something, yet the federal authorities are taking away the revenue from this tax. In a region with an inefficient economy that depends heavily on raw materials, this step will likely lead to a reduction in the standard of living and provoke discontent among the population. The authorities will have to react to this dissatisfaction.

The loss of Tyumen's Oblast's share of the NDPI poses questions about the continuation of the Cooperation revenue-sharing program launched in 2005 and the 2004 Agreement on relations between Tyumen Oblast and the autonomous okrugs since dividing the revenue was the instrument which supported the compromise among the three jurisdictions. Now the government of Tyumen Oblast, like the administration of Leonid Roketskii in the 1990s, will lose interest in balanced cooperation, and could initiate a process of merging the three units since it will somehow have to compensate for the loss of revenue. The press has recently begun to report on how some key officials in Tyumen are beginning to discuss this idea seriously.

About the Author

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