

even former police and decommissioned military officers), and won election to local government in order to protect their business interests. These people now hold power in local government. The one other type of local government leader beyond the categories that Dahl

identified is the municipal civil servant, who most often are placed in important position by the same business interests that reach agreement with the regional political power-brokers.

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Analysis

Valentina Matvienko's Second Term: From Ambitious Projects to Threats of Removal

By Daniil Tsygankov, St. Petersburg-Moscow

Abstract

Three years after President Vladimir Putin appointed her to a second term as governor of St. Petersburg, Valentina Matvienko's position seems secure, particularly since she maintains close relations to Putin. The city economy suffered a serious drop in output thanks to the global financial crisis, but now a slow recovery has begun. However, critics have pointed out that the city's anti-crisis policies support large-scale construction projects at the cost of medium and small business, which are respectively more stable financially and provide many jobs. The city leaders also have not implemented an innovative plan for overhauling the structure of the city economy.

2006: Matvienko at the Top of Her Game

Three years ago St. Petersburg Governor Valentina Matvienko was at the height of her political influence in St. Petersburg. At the end of 2006, President Vladimir Putin appointed her to a second term as governor. To this day, Matvienko continues to maintain Putin's confidence.

In fact, by the end of her first term as St. Petersburg's governor, Matvienko had managed to merge into one team two initially competing coalitions in the city government: the Komsomol alliance headed by Vice Governor and Chief of Staff Viktor Lobko, and the "PSB Fraction" headed by the curator of the financial-economic bloc Mikhail Oseevsky.

Moreover, to Matvienko's benefit, Presidential Envoy to the NorthWest Federal District Ilya Klebanov did not succeed in creating a second power base in the city as had been the case from 2000 to 2003 when then Governor Vladimir Yakovlev faced opposition from Presidential Envoy Viktor Cherkesov. And the apparent threat never materialized from Deputy Governor Yury Molchanov, appointed in 2003 by Putin himself according to many analysts (others say that Federation Council Speaker Sergei

Mironov was his sponsor). Although Molchanov seemed to offer political competition for Matvienko at first, he ultimately preferred to limit himself to the position of an observer in the battle between the two main coalitions and focused on lobbying for construction companies working with the LSR Group, which his son heads.

At that time, Matvienko was so confident in her position that she began to circulate a plan to merge St. Petersburg with the surrounding Leningrad Oblast, ignoring the obvious objections of Leningrad Governor Valery Serdyukov. However, with the election of Dmitry Medvedev, with whom Serdyukov had built good relations, this plan was pushed to the back burner.

Executive-Legislative Relations During the Second Term

With her ostensible support for United Russia, Matvienko managed to do well during the March 2007 elections to the city council. United Russia did not manage to win a majority of the seats thanks to the successful performance of Mironov's Just Russia, making the council even more dependent on the coalition building skills of the governor's representative. Immediately

after the election, the two parties immediately confirmed the status quo: in exchange for reelecting United Russia's Vadim Tyulpanov as chairman, the body returned Mironov as its representative to the Federation Council. After August 2008, the council's dependence on the governor became even more pronounced since it sought to avoid any serious conflicts and did not publicly criticize the executive branch, claiming that overcoming the crisis required unity.

During the three years of Matvienko's second term, the city government suffered only two serious crises. The first crisis occurred when Matvienko tried to consolidate her power after her appointment to a second term. At the time, experts and the press thought that the main opposition to her "Komsomol" team came from representatives of the PSB bank. However, in reality, this other coalition did not represent the bank but the key members of the Petersburg elite now based in Moscow, particularly Putin and Duma Speaker Boris Gryzlov. Matvienko only involuntarily supported such a configuration of power and sought to limit the influence of the "Muscovites" by personally intervening into the details of all measures adopted by Oseevsky and the then chairman of the government's Committee for Economic Development, Industrial Policy, and Trade Vladimir Blank. However, the governor lacked the economic competence to deal with such matters and there was much that she clearly did not understand, which openly upset her. In an effort to counteract this pressure, Oseevsky formed a team of like-minded supporters, which outside observers described as a political coalition. However, as soon as Matvienko stopped intervening in all the details of his work, Oseevsky's need for the team of supporters fell. Moreover, as now is clear, Oseevsky entertained his own gubernatorial ambitions and preferred to remain loyal to his immediate superior.

Thus, the key personnel appointments in the first half of 2007 were not particularly important and were directed mainly at strengthening the governor's position as the supreme arbiter among the city's various political groups. Accordingly, she appointed Aleksandr Polukeev, whom she had known since Soviet times as someone who got things done, as a deputy governor to balance the power of Viktor Lobko. Even though Lobko had demonstrated loyalty to Matvienko, she took precautionary measures to weaken the influence of her deputy. She was upset because during the elections to the city council, Lobko had practically openly sympathized with (and secretly helped) Just Russia even though he knew that there were strained relations between Matvienko and Just Russia leader Mironov.

The second wave of personnel changes took place in the heat of the economic crisis, in February 2009. First Matvienko removed her two key deputy governors – Lobko and Polukeev. The media explained this move with the necessity of blaming someone for the insufficiently good results from the 2008 presidential election, in which the St. Petersburg United Russia scored one of the lowest returns in the country. Some insiders even interpreted these events as a signal that Matvienko herself was about to lose power. The new "first" deputy governor, Aleksandr Vakhmistrov, the last holdover from the governorship of Vladimir Yakovlev, had never been close to Matvienko, served and serves as a lobbyist for the construction sector, and thus is not the kind of bureaucratic organizer that Lobko and Polukeev were. All these moves seemed to replicate the replacement of Yakovlev, when shortly before his removal, Kurortny Raion head Aleksandr Beglov was appointed first deputy governor and then prepared the transition to Matvienko in the capacity of acting governor between June and December 2003. For these services, he was appointed to a post in the presidential administration, where he continues to serve.

Some insiders suggested that the newly elected president Medvedev had no particular sympathy for Matvienko – in contrast to Prime Minister Putin – and preferred to see Oseevsky in the governor's seat. The most important bureaucratic signal for such conclusions was the memorandum Medvedev signed in 2008 thanking Oseevsky "for his large contribution in implementing the state plan in developing managers." This presidential note of gratitude drew attention because it thanked Deputy Governor Oseevsky directly, over the head of the governor, which is a rarity in Russia's bureaucratic practice. Formally, the position of deputy governor is not on the list of offices under the president's control.

Despite these signs of possible change, it is now possible to conclude that Matvienko has managed to stabilize the situation. Since she continues to maintain the confidence of Putin (seeking his agreement for the most important financial and investment decisions) and the support of Gazprom (possibly at the cost of supporting the controversial decision to build the Okhta-City skyscraper, transforming the city's skyline), there are no threats to Matvienko's position.

The Development of the City's Economy

At the end of 2007, the Committee on Economic Development, Industrial Policy, and Trade developed a prognosis for the social-economic development of St. Petersburg from 2007 to 2011. According to this plan,

the city's economy should grow at a rapid pace, nearly doubling over four years, with the gross regional product (GRP) growing from 1,074 billion rubles to 2,060 billion rubles. Moreover, the key components of regional output should change over time. The share of industrial production in GRP should drop 1–2 percent a year as the transfer of industrial enterprises from the city center to its periphery will change the overall structure of the city economy. Moreover, quick growth in other industrial clusters (machine building, ship building, and automobile construction) will be held back by the shortage of highly-skilled workers and the lack of investment to update existing infrastructure. The administration hopes to use the space freed up downtown to develop tourism, business-infrastructure, and the service sector.

Against this background, the governor's administration set the following investment priorities: First were the automobile and associated sectors, with the intention that these would become the locomotive for the rest of the economy. Second was investment in housing construction in order to implement all of the city plans that sought to reduce the wait for housing. Third was construction of office space in downtown premises that previously had housed industrial enterprises, which had been moved to the suburbs. The fourth priority was investment in transportation infrastructure (the Orel Tunnel, Sea Passenger Terminal, Western High Speed Highway, etc). Rounding out the top five were investment in ship building and, to some extent, regional energy supply. Among the most ambitious projects were the construction of a new stadium for the Zenit soccer team, which that year had become the Russian champion, and Gazprom's Okhta-City project.

The global financial-economic crisis which began in the fall of 2008 forced the city leaders to amend these ambitious plans. Industry, which had been successfully developing through the third quarter, experienced a real shock in the fourth quarter. In December 2008 demand for electricity from industrial enterprises in the city dropped 29 percent, reflecting the 30 percent decline in output that month. Typically, Russian factories dramatically increase output in the last month of the year as they seek to fulfill annual targets. According to railroad statistics, the extent of freight hauling in the fourth quarter also dropped 35–45 percent. Almost all sectors of St. Petersburg's industry experienced a drop in output during the fourth quarter. The financial sector survived the crisis in slightly better shape, though several medium-sized banks collapsed.

In 2009 the city leaders' basic anti-crisis policy could be characterized as a continuation in financing for key

projects that were almost completed. In the future, the city would concentrate its resources on two projects: construction of the Western High Speed Highway and the Zenit stadium. The city would reduce or zero out its participation in other projects. In other words, the city's policy amounts to supporting big construction projects while ignoring the plans of medium and small business. Several experts believe such a course is mistaken because medium-sized business produces the most stable results in terms of generating taxes and financial health, while small business provides work for a respectable number of people.

Beginning in 2010 the city plans to borrow money to cover its expenditures, including through selling bonds valued in rubles. Given the current distribution of power in the city government, the only sector that is likely to receive real support is construction, which traditionally has the strongest political lobby.

Gazprom's Okhta-City will be an exception. Despite serious opposition from educated circles in the city and at the national (Federation Council Speaker Mironov and Culture Minister Avdeev) and international levels (UNESCO), Gazprom head Aleksei Miller consistently supports this construction project. Given the overall reduction in Gazprom's investment program, psychological factors explain this support: he wants to build something big for his hometown comparable to the soccer stadium.

Petersburg cannot expect significant help from the federal budget, while other regions will suffer even worse fates. However, several strategic enterprises can theoretically count on some support. The Russian government and the Ministry of Regional Development prepared the list in December 2008, but has made several changes since then, likewise opening the door for the possibility of changes in the future.

Nevertheless, several trends in previous months suggest that a revival of the economy is not far off. According to headhunting/recruiting companies, demand for specialists is up 60 percent since the beginning of the year, though before the crisis there was likewise demand for unqualified workers. This demand is particularly strong in the machine building and chemical sectors, which suggests that these sectors will soon become more lively.

If the second wave of the banking crisis in Russia, forecast in connection with a non-payments crisis at the beginning of 2010, does not hit Petersburg particularly hard, one can hope for an improving economy in the near-term future. The main locomotives will be construction, machine building, chemical industries

and specific sectors of the food industry, such as tobacco and beer. However, the city government's inert anti-crisis policy does not provide hope for a significant

return to growth or an innovative restructuring of the city economy.

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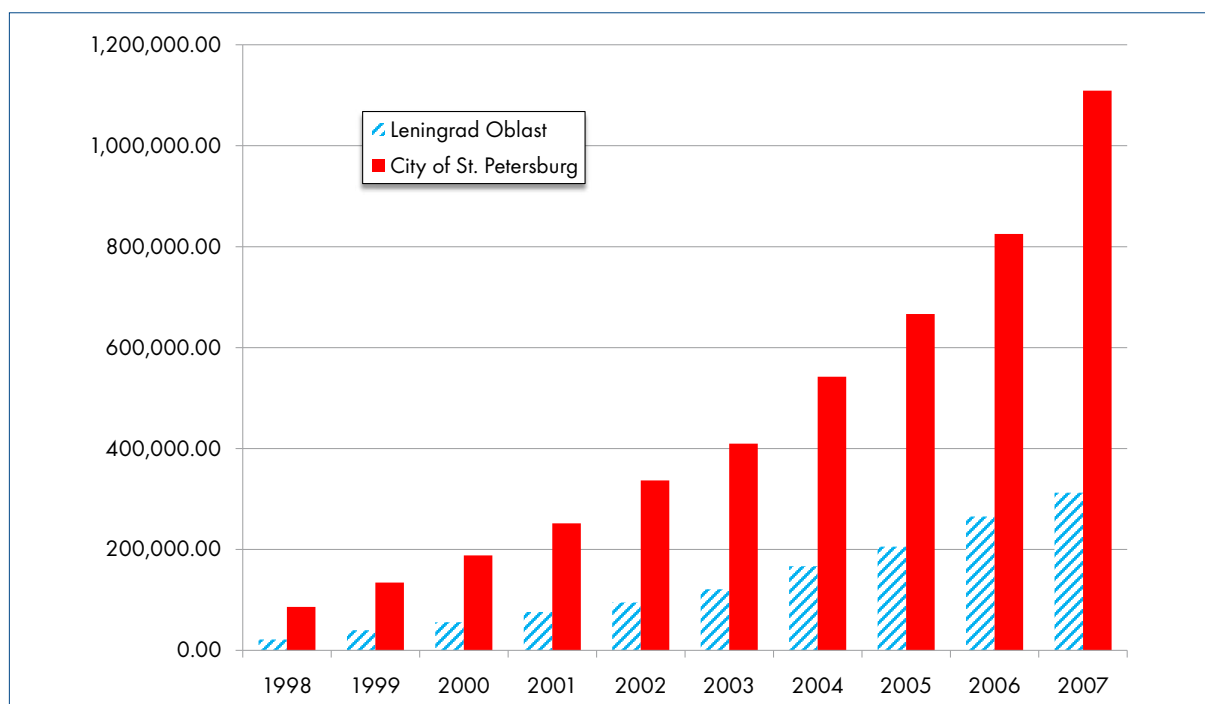
Recommended Reading

- Daniil Tsygankov, "St. Petersburg Politics. Putin Backs Matvienko for a Second Term," *Russian Analytical Digest*, no. 12, 19 December 2006.
- Daniil Tsygankov, "Matvienko Takes Control in Petersburg," *Russian Regional Report*, vol. 9, no. 9, June 2004.

Tables and Diagrams

GRP of St. Petersburg and Leningrad Oblast

Diagram 1: Gross Regional Product (GRP) of Leningrad Oblast and St. Petersburg City 1998–2007 (mln. rubles, current prices)



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Leningrad Oblast	21,515.90	39,742.80	56,001.90	75,858.60	94,747.00	121,222.30	166,445.00	205,416.90	265,260.40	312,405.00
City of St. Petersburg	86,112.20	134,354.20	188,243.00	251,654.40	336,692.30	409,638.50	542,359.20	666,392.80	825,102.30	1,109,297.40

Source: Russian Federal State Statistics Service, http://www.gks.ru/bgd/free/b01_19/IssWWW.exe/Stg/d000/vrp98-07.htm