

## Regional Report

# Business and State in Komi: Managing Common and Conflicting Interests

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### Summary

The rise of big business in post-Soviet Russia disrupted the mono-centric political systems that developed in Russia's regions after the collapse of Communism. In Komi, the 2001 gubernatorial and 2003 regional legislative elections marked the divide between the old system and the new. Since that turning point, however, big business and the bureaucracy have found a way to work together to defend their mutual interests. The adoption of a new electoral system in 2007, in which voters elect half the members of regional legislatures through party lists, will make it even easier for business leaders to gain political representation. Nevertheless, the success of big business has not filtered down to small business, which remains largely unrepresented in the political system.

### Mono-centric political regime built on consensus

After President Boris Yeltsin abolished Russia's parliamentary republic in 1993 and began accelerating the process of de-sovietization in the Russian regions through the adoption of a new constitution, many of the 21 republics began forming authoritarian political regimes. These regimes quickly took control of all spheres of social life and the economy, recreating the old Soviet system of political and economic relations, while removing the ideology from them. Ultimately, it was the elite's total control over the economy that allowed the oligarchs to quickly gather their initial capital in the 1990s. These oligarchs came either from the elite or were able to gather their wealth with the elite's direct participation.

Komi's political system evolved through a variety of stages. From 1990 to 1991, it went through a process of de-ideologization, when the Communist Party and ideology stopped determining government policies. From 1994 to 1995, it experienced a process of de-sovietization, when it dropped the Soviet style legislature and adopted a system more typical of western models. Over time, Komi's political system evolved to create a "political corporation" in which all branches of government were subordinated to one political actor, the governor.

In many ways this system resembled the old Soviet model, but the ideological base allowing the consolidation of the new system was a desire to overcome the deep socio-economic crisis in Russia and reform society. In the early 1990s, the political elite was not alone in supporting consolidation to overcome Russia's crisis and reduce the harmful economic consequences of the transformation. The population, as many public opinion polls showed, considered that powerful and authoritative regional leaders and regional political in-

stitutions, rather than the federal authorities, should solve the country's difficult political problems. In this way there was a consensus between the authorities and the people which made it possible to establish a mono-centric political regime. Former Komi leader Yury Spiridonov, who rose to power as the first secretary of the Communist Party of the Soviet Union's Obkom during the Gorbachev era, came to embody this regime. Spiridonov later became chairman of the Komi Supreme Soviet and then was Komi's first directly elected governor.

### Big business causes regime change

This consensus was destroyed in 2001 when the population withdrew its confidence from Spiridonov and replaced him with his rival, republican parliamentary speaker Vladimir Torlopov, then considered a liberal politician who had the backing of the Union of Right-wing Forces and Yabloko. Torlopov's victory led to the destruction of the power elite's political corporation and the beginning of elite fragmentation. The 2003 republican parliamentary elections marked an even more important turning point because there was an extensive redistribution of political resources between the bureaucracy and the business elite. In the political competition for the legislature, the business elite gained the upper hand.

In Komi the bureaucracy/nomenklatura, as defined by Milovan Djilas and Michael Voslensky, dominated political life until the 2003 elections. Therefore, the elections of the new republican chief in 2001 and the parliamentary elections of 2003 marked the real beginning of Komi's transition away from the Soviet system. Only after these political collisions was the basis for democracy created because the monopoly of the nomenklatura was blasted apart and the parameters of the regime began to more closely resemble

democracy. The nomenklatura suffered defeat in the elections of 2003 because the “industrial party,” various business leaders and enterprise managers, won a majority of the seats.

However, Komi’s governor and legislature could not find a common language and the political competition between them led the executive to give up on public politics and replace it with informal practices. Being a weak politician, Torlopov could neither consistently implement a liberal political course, nor build constructive relations with the legislature, political opposition, or social groups. Moreover, he faced powerful opposition from the republic’s former leaders, who exerted heavy pressure against any liberal policies.

Since Torlopov was incapable of exerting pressure on the republic’s political institutions and unable to win in open political competition, he chose to rely on tactics of intrigue and behind-the-scenes deal-making. His main goal was to recruit a majority of deputies in the republican legislature who would be loyal to him. He sought to achieve this goal by exerting individual pressure on each of the deputies. He offered each legislator particular inducements to support him and threatened their business interests if they refused. Komi’s business leaders, many of whom had been recruited from the region’s Soviet nomenklatura, proved to be vulnerable to pressure from the governor and, in the interests of their business, were ready to make a deal with the authorities. Torlopov also managed to gain control of the pro-Kremlin United Russia political party in the republic and with its help, convinced President Putin to appoint him to another term in December 2005.

After Torlopov secured Putin’s blessing, the business elite was once again dependent on the governor. Rather than set up a united front to pressure him to meet the general interests of the entire business community, the individual businessmen preferred to resolve their individual problems through opaque agreements with the governor and his closest advisors. In this sense, the bureaucracy, represented by Torlopov, and the business elite, represented by the legislators, found common ground.

### Looking to future elections

For the March 2007 elections, Komi will use a new electoral system, electing half of the members of parliament from party lists and half by single-member districts. In the past, all of the legislators had been elected directly from districts. The Kremlin devised this new system for regional elections and forced each of Russia’s regions to adopt it.

In the new situation, the interests of the politi-

cal elite and business coincide in that both want to create the most comfortable conditions for pursuing their goals. In this sense, neither politicians, nor businesspeople want clear and transparent rules for their activities. In Komi as elsewhere in Russia, the authorities and business always seem to be able to come to agreement with each other. All the big businesses operating in the region (the oil companies LUKoil and Rosneft, natural gas monopolist Gazprom, and aluminum maker SUAL, among others) have cooperation agreements with the governor’s administration and can directly solve their problems with the republican political elite. These big businesses have such extensive resources that they can guarantee themselves top priority in their relations with the authorities and direct representation in regional political institutions. Thus, Vladimir Mulyak, the president of LUKoil-Komi, which controls 70 percent of the oil reserves in the region, was able to defeat former governor Spiridonov in the district where the latter had a strong position in the 2003 regional legislative elections.

Now, when party identification, rather than personality, will be the main resource in legislative campaigns, it has become easier for business to secure political representation by making agreements with party leaders. Thus, Severnaya neft, the local branch of the state oil company Rosneft, has already reserved a spot in the republican parliament on the United Russia party list, according to unofficial sources. This will not be the only example, since many other businesses and individual business people will want to send their representatives to the political institutions or become politicians themselves.

Business people are seeking representation in political institutions at both the local and republican levels. In the city of Usinsk, the oil capital of Komi, Severnaya neft is working to take control of the local municipal council in an effort to squeeze LUKoil’s representatives to the periphery of political life. Characteristically, residents of Usinsk see the large companies as the most influential political players, with the fate of the local economy depending on their activities. According to a poll taken in May 2006, 70 percent of the respondents said that the oil companies determined the situation in the city and surrounding area, not the political authorities at the federal, regional, or local levels. It is not surprising that people with ties to these companies make up the local civil service and form the local political elite.

Today the various pro-Kremlin youth groups, such as Nashi or Molodaya gvardia, the youth branch of United Russia, are not preparing a new generation of political elites for the country. Instead Russian busi-

ness has started the process of renewing the Russian elite.

### No room for small and medium business

The political influence of big business does not translate into similar success for small and medium sized business. Small business is essentially not represented in Russia's political institutions and is under constant pressure from the authorities. Moreover, small and medium sized business are the main sources of income for bureaucrats, since these businesses typically need bureaucratic protection to continue their operations and often have to pay bribes to secure it. In Komi, as in the rest of Russia, representatives of the authorities and the law enforcement agencies serve as a "roof" for practically all small and medium businesses. Even the former mayor of Komi's capital city Sergei Katunin complained about this problem when he was locked in battle with the republican authorities.

Small business still lacks political organization, even though national groups like OPORA or local groups like the Komi Trade Association theoretically represent its interests. Although the authorities constantly boast of their efforts to improve the situation of small business, there are few real accomplishments in this area. Even though small business faces a difficult battle with the Russian bureaucracy and is growing only extremely slowly, it has developed an ability

to survive in difficult conditions, which will inevitably lead it to self-organization.

It is also important to point out that small business grew not from the ranks of the nomenklatura, but more spontaneously from below. It draws on different social and political bases than big business and these groups are making themselves felt in both the political and economic spheres. Nevertheless, big business does not want to involve small and medium sized business in its projects or forego profits in their favor. The authorities also are not interested in creating conditions for big and small business to work together. Thus, a round table on cooperation between big and small business planned for September never took place. It is clear that now is the time for owners of small businesses to seek political representation and defend their interests.

For the March 2007 regional legislative elections, it will be important to see how well representatives of small and medium business do. The March elections will determine whether the bureaucracy will gain the upper hand or whether the business elite will preserve its position. Of course, in many cases the bureaucracy and business manage to find common ground. The border between these two groups is increasingly flexible and their interests are often interweaved.

#### About the author:

Yury Shabaev is a researcher based in Syktyvkar, Komi Republic.

#### Literature quoted in the text:

- Milovan Djilas, *The New Class: An Analysis of the Communist System*, Orlando: Harcourt, Brace, Jovanovich, 1957, 1985.
- Michael Voslensky, *Nomenklatura: The Soviet Ruling Class*, Doubleday, 1984.

## Opinion Survey

### Do Russian Businessmen Benefit the Country?

Is the activity of ... at present beneficial or harmful to Russia?

	Large Russian enterprises	Medium and small business
Definitely beneficial	9%	12%
More likely beneficial	34%	51%
More likely harmful	32%	17%
Definitely harmful	12%	6%
No answer	13%	14%

Source: Opinion survey by Levada Center of 13 September 2006  
<http://www.levada.ru./press/2006091302.html>