

**Regional Elite:
A Quiet Revolution on a Russian Scale**

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Working Paper No. 4

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Foreword

This paper focuses on the role of the Russian regional elite and analyzes its importance for shaping regional processes within the broader framework of the territorial and administrative federal reforms since Yeltsin.

Projects for reshuffling the 89 Russian regional units were a part of the political agenda in Russia throughout the 1990s. One of the strongest arguments was that most of the small subjects of the federation are economically weak, and hence unable to build up strong, self-sustaining economies. In May 2000, with Vladimir Putin as the new Russian President, the old idea of rearranging the whole federal system obtained a more concrete design: according to a Presidential decree of May 2000, seven federal districts were created, each one to be run by a presidential envoy. Though Putin himself calls these measures an administrative reform within the presidential apparatus, the consequences of these steps ought to have a major impact on regional elites. Putin's territorial reforms have increased the number of actors in the regions and have therefore also multiplied the possible political constellations and models of interaction. If the new presidential envoys can make effective use of the available resources, they may be able to take firm control of their districts and strengthen their position towards the various regional actors – and most significantly, vis-à-vis the governors.

Presidential representatives were given good opportunities to restructure the territorial fabric of the society, but there are hurdles here as well. One of the problems is that the area of their responsibilities seems to be too broad – from supervision of the parties in the regions to the “inspection” of specific industries. Also, their capability of exercising pressure on regional authorities to bring their laws into line with federal norms is limited.

The federal districts develop in various directions. Relations between the federal center and the seven federal districts are still being shaped. In terms of future developments, much will depend of Putin's assessment of the effects of the first year of reform. The personal credentials of the presidential representatives also feature largely.

From the very beginning, Putin's reshuffle of the federal system provoked serious doubts in Russia's expert community. One year after Putin's reform, there is still no consensus among policy makers as to its long-term effects. There is a long list of uncertainties with regard to the future development of the federal districts. It is still unclear how far these developments are to go. Even within the Kremlin, there is no clarity with regard to the new structure of regional powers. Relations between presidential representatives and the governors are far from being settled. Equally uncertain is the relationship between the federal districts and the pre-existing inter-regional associations of economic cooperation. Further reshuffles in Russia's regional map are being debated. Putin's team is still in the process of weighting the "pros" and "cons" of the reform steps and is considering its next moves.

In order to come to a better understanding of possible developments of the Russian federal system and the relation between center and region, it is essential to learn more about the main power brokers within the region: the regional elites. This paper, written by Dr. Alla Chirikova from the Institute of Sociology at the Russian Academy of Sciences in Moscow and Dr. Natalia Lapina from the Institute for Scientific Information on Social Sciences at the Russian Academy of Sciences in Moscow, assesses the political role of different elite groups within the region, illuminates the social background of these groups, discusses the patterns of recruitment and evaluates the political strategies members of different elite groups pursue in order to achieve their respective goals. The authors explain the many patterns of interaction among the main elite groups in politics, economy and society and describe the various models of power structures in the regions of the Russian Federation. The paper shows that the adaptation of regional elites to market reforms and global economic trends can take different forms depending on a region's potential, its relations with the federal center, or the political profiles of major regional decision makers.

This paper, as all the studies in this series, is also available in full-text format at <http://www.ethz.ch>.

Zurich, February 2001

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Introduction*

Àlexis de Tocqueville once asked: “What has the French revolution destroyed, and what has it created?” Today, ten years after the reforms began in Russia, and given the new reforms that Russia embarked upon in 2000, we may well apply the same question to Russian society. Some experts suggest the Russian reforms have been marked by chaos and a complete loss of manageability. Others associate the reforms with a rejuvenation of public and state structures.

The Russian reforms destroyed the Soviet party-state machine and formed the basis of a new Russian statehood. In the economic sector, reforms were initiated based on the model of private property and of entrepreneurship. During the years of reform, the basis of democracy and of a civil society was evolving: many political parties were formed, and independent mass media evolved. These developments, by their nature revolutionary, occurred in a chaotic, incidental fashion and are by no means complete.

In one aspect, however, the reforms undoubtedly had a substantial effect, namely in the regionalization of the Russian Federation, the most significant component of the transition process in Russia. Regionalization involves a large-scale redistribution of power and property from the federal center to the regions of Russia. By the beginning of the 21st century, the Russian regions had become important actors in the political and economic development of the Russian Federation. The political status of regional authorities has been increased significantly since the beginning of the reforms: the July 2000 list of the 100 most influential politicians in Russia included 14 regional leaders (in the mid-1990s the figure was

* The draft of this paper was finished by fall 2000.

six or seven).¹ The growing political importance of regional leaders has affected their behavior. During the 1990s, regional leaders began to act more independently within the larger political framework, and on the eve of parliamentary elections (December 1999) regional leaders produced their own political initiatives and created a number of parties and political movements.

In the economy, a main feature of regionalization has been in the redistribution of property. The members of the Russian Federation now control approximately 20% of the federal property; 66% of the property is in the hands of the municipalities.² Regionalization occurred against a backdrop of liberalization and an opening up of the Russian economy to international trade. Such liberalization has enabled the regions that have freed themselves from the dictatorship of the center to become independent actors in intra-regional and foreign economic development.

The growing political and economic importance of the regional elites does not contradict the principles of asymmetric federation that were brought to life by Boris Yeltsin. The weak federal center of the 1990s had little to offer when compared to the influence wielded by local leaders. In fact, the state delegated the responsibility for solving the most challenging social, economic and political problems to the regions by transferring the political, administrative and economic resources to them.

The principal result of the past decade can be summarized as follows: in the political and economic life of Russia, new actors, including the regional elites, have emerged, while a considerable weakening of the federal government has occurred.

Vladimir Putin's accession to power radically changed the alignment of forces and the system of compromises within Russian society. The new president, a supporter of the strong state, aimed at strengthening the federal center and consequently initiated administrative and legal reforms immediately after taking office. Putin created seven federal districts, headed by presidential representatives. The bills, approved by parliament, were aimed at strengthening the vertical axis of power. They also allowed for new procedures for forming the Federation Council. These changes signaled the "quiet revolution" that was beginning in Russia. This quiet revolution was aimed at a revision of the political order formed during Yeltsin's term and was to address the relations between the center and the regions.

Putin has already achieved some of his goals. However, it is premature to speak about a complete realization of the Kremlin's intended scenario. Russia's

1 Komozin, A. "100 vedushchikh politikov Rossii v Iiule" (100 leading politicians in Russia, as of July). *Nezavisimaia gazeta*, 1 August 2000.

2 "Raspredelenie privatizirovannykh predpriatii po formam sobstvennosti" (Distribution of privatized enterprises by a property category). *Statisticheskoe obozrenie*, no. 1 (1998), p. 66.

mass media and some of the research literature regularly refer to the “feudalization” of the country, a growing separatism and the arbitrary rule of the almighty “barons” in the provinces. Such references, according to their authors, are intended to generate a positive public opinion of the reforms initiated by the federal center. But few people who support re-centralization understand that during the reform years, the regional elites have accumulated plentiful resources and have learnt how to manage these. Today, in many regions the leaders are able to solve difficult social and economic problems without the support of the federal center; they have also established effective management structures and independent domestic and foreign economic policies.

It remains to be seen whether the regional elites will manage to hold on to their powers that were hard-won or, in some cases, were seized from the center. The present situation may develop in a variety of ways, depending in many respects on the extent to which the main political players, at both the federal and regional level, are disposed to compromise. The tenseness of the Russian situation raises a number of questions whose answers may help us understand why the new authority in Russia began its reform of the political system by focusing on the interaction between the center and the regions.

In this report we will consider the following issues:

- The structure of the regional elite and the methods of its recruitment;
- Resources and the potential to influence political, economic and social processes of regional elites both within and outside the regions;
- Variations in the foreign policies and foreign trade activities of regions and of their leaders;
- The configuration of a new system of federal relations and the confrontation between the center and the regions;
- Probable scenarios of federal policy and the political implications of such scenarios.

This report will focus primarily on the ruling elite but will also touch on some aspects pertaining to the forming and functioning of other regional elite groups.

This report is based partly on the results of sociological polls that we conducted from 1996 to 1999 in 11 regions of Russia (the City of Moscow, the Republic of Tatarstan, Krasnodar Krai, and the Samara, Kirov, Arkhangelsk, Tver, Novgorod, Vladimir, Perm, and Rostov oblasts).³ The study was conducted using an in-depth interview method. The interviews were conducted with the leaders of

3 In the two latter regions the sociological study was performed in the summer of 1999 with assistance from the F. Ebert Fund.

the regional executive and legislative powers, the leaders of municipalities, the representatives of the business elite and the so-called “director corps” (industrialists), the leaders of political parties and movements, and influential media exponents and experts.⁴ In total, we interviewed about 250 representatives of the elites and regional experts.

4 For more details see Lapina, N. and A Chirikova. *Regional'nye elity RF: modeli povedeniia i politicheskie orientatsii* (Regional elites of Russia: behavioral models and political orientations). Moscow: INION, 1999; Lapina, N. and A. Chirikova. *Strategii regional'nykh elit: ekonomika, modeli vlasti, politicheskii vybor* (Strategies of regional elites: economy, models of authority, political choice). Moscow: INION, 2000.

The regional elite: main stages of formation

The regional elites are the result of a transformation of Soviet society. Their emergence dates back to the rule of Nikita Khrushchev and is linked to his attempt to transfer the management of the economy from the center to the provinces. The changes that began in the economy continued through to the political sphere: the rights of republican and regional leaders were extended, and these became powerful governors of the subordinated territories.

Within Soviet society corporate groups, organized according to the territorial principle, emerged and grew stronger in the 1970s and 1980s. Subsequently, they began to realize and assert their interests. At that time, however, the one-party state model still governed the USSR, and all significant decisions were made in Moscow. Within this model the position of regional leaders was twofold. A first secretary of a republican or regional Communist Party of the Soviet Union (CPSU) committee had enormous power. However, he or she was, according to historian V. Mokhov, “a re-transmitter of the political will of the center”⁵ and was personally dependent on the Moscow party leaders.

“Perestroika” and the reforms that began in the former Soviet Union weakened the center and strengthened the position of the regional elites. The leaders who headed the struggle for sovereignty of the national republics accelerated the collapse of the USSR. Following in the footsteps of the republics of the former USSR, the republics of the Russian Federation picked up the struggle for national sovereignty. The Tatarstan, Checheno-Ingushetia and Bashkortostan republics,

5 *Transformatsiia rossiiskikh regional'nykh elit v sravnitel'noi perspektive* (Transformation of Russian regional elites in a comparative prospect). Moscow 1999, p. 141.

for example, have tried to attain the status of “sovereign states associated to the Russian Federation”. In November 1992 the Constitution of the Republic of Tatarstan was adopted. It proclaimed the republic as a sovereign state and as a subject in international law. Along with the national republics, the autonomous okrugs and ethnic Russian regions (krais and oblasts) also claimed special rights. In July 1993 the Sverdlovsk Oblast Council proclaimed a “Ural republic”, and in October 1993 it adopted a constitution. The possibility of creating republics was discussed in Vologda, Krasnoyarsk, Krasnodar, Vladivostok and in some regions belonging to the so-called Central Black Earth part of Russia. The “parade of sovereignties” that had earlier resulted in the collapse of the Soviet Union now began to threaten the territorial integrity of the Russian Federation.

In 1993 Russia adopted a new constitution that laid the basis for a federal model that was aimed at dividing power and competences between the various elements of the state both in theory and in practice. The constitution proclaimed the equality of all members of the federation and delineated the spheres of jurisdiction of the Russian Federation and its members. On the basis of the constitutional norms, the federal center and the regions started to sign bilateral treaties. Political treaties were accompanied by a series of agreements on specific issues. These treaties established the property rights of federation members with regard to their natural resources, means of production and manufactured products; the treaties also distributed the profits from regional production between the regional and federal budgets. The signing of bilateral agreements formed the basis of an asymmetric federation, and the redistribution of powers and property between the center and members of the Russian Federation played an important role in the process of the formation of regional elites.

The formation of regional elites took place in the context of a “federation to region” relationship. The mechanisms of this process were, however, diverse. In some cases the consolidation of a regional elite was the consequence of a conflict between the federation and one of its members (as in the national republics and Sverdlovsk Oblast). In others the stabilization of an elite and the formation of regional structures of power resulted from the above-mentioned bilateral treaties that defined the extent of a region’s power.

Regional economic elites took shape alongside the political elites.⁶ Certainly, an economic elite had existed in the former USSR; it had been formed by the directors of the largest enterprises, primarily from the military-industrial complex. However, the current economic elite is a result of the re-privatization of state property and the development of private entrepreneurship. During the reform years, the economic elite underwent an essential evolution. Although the regions display common characteristics as a result of their Soviet past, the formation process of the economic elite has varied in each region according to factors such

6 With “economic elite” we mean economic actors, who are in strategic positions in the national economy or in separate regions, and having strategy, focus on the future.

as the economic structure and potential of a territory, the success of market reforms and the prevailing policy of the regional authorities.

Russian regions have adopted various models for the formation of an economic elite. In regions where no large-scale redistribution of property has taken place and where there are no resources of interest to external investors, the economic elite has been represented by directors of the former Soviet enterprises (as is the case of Rostov Oblast). In regions that have abundant natural resources and an advanced industry, a large-scale redistribution of property has taken place during the years of reforms, and the process of privatization of main industrial objects has been more or less completed. In these regions an independent and influential “proprietor” has usually emerged and firmly established himself in the business sphere. The youthfulness and dynamism of the business elite in these regions is notable, and many of the elite’s representatives began working in the economy during the wave of market reforms (Perm and Sverdlovsk oblasts). As the position of a regional elite strengthens, its structure becomes more mature and complex, and the sources of recruitment change.

The structure and directions of transformation of the regional elites

Regional elites include various groups, each with its own levers of influence and limits to stability. During our study in the regions, we attempted to develop our own rating of the political influence of various elite groups. For this purpose, we asked the participants in the study to identify who in their region had the greatest influence over political life there. As the results of the polls show, the central place in the life of the regions belongs to the political elites.⁷ The political elite includes the head of the region, his or her deputies, leaders of the executive and legislative powers, and municipalities. The regional political elite is a social group that plays a central role in regional decision-making and coordinates these decisions with other political actors, both within the region and at the federal level. During the 1990s, the political authority of the regional government (particularly the influence of its executive branch) grew constantly, and its representatives have since turned into dominant political actors in the region.⁸

7 We use the term “political elite” as a synonym for “power elite”, and understand it in its broadest sense, including political and administrative-bureaucratic components.

8 As the interview shows, the potential level of influence of the executive authority in the region is very high as estimated by representatives of all the elite groups. An overwhelming majority of the respondents (65%) are convinced that the executive authority in the region takes first place in the influence rating. A high evaluation of the influence of authority is characteristic for the representatives of all elite groups: management corps, business elite, representatives of movements, and parties. The second place, according to the majority of the respondents, is taken by the business elite and management corps, which are not subdivided. They are followed by representatives of parties and movements. The fifth part of the respondents is convinced that authority and business have equal influence in the regions, and that the level of influence of the business elite is steadily growing. A balance of power in the regions remains only because the authority and big business representatives (influential economic actors in the regions) so far agree among themselves and do not wage “wars to the death”.

The regional economic elite plays a key role in possessing and managing property and controls a certain part of the industrial, financial and commercial capital in the region. During the past few years, the influence of the economic elites in the regions has increased substantially. This increase is linked to a concentration of capital in the hands of individual financial-industrial groups and the interference of regional economic elites in local politics. Today, many business-people have become outstanding regional politicians and are elected governors, mayors, and deputies of legislative assemblies and of city “dumas” (councils). Remarkably, the Russian regional economic elites, similar to the federal ones, are formed only by representatives of the largest financial, industrial and commercial structures. In Russia today small- and medium-sized businesses have no serious political representation and are unable to influence the decision-making processes.

According to outside evaluations of representatives of the elites, and according to their own perceptions, the leaders of political parties and movements do not play any significant role in local politics. The only exceptions are the deputies of the State Duma and those of the regional legislative assemblies. For example, according to all respondents in Rostov Oblast – where the communist party’s position is strong – communist leader and deputy of the State Duma L. Ivanchenko is recognized as a powerful political player. In Perm Oblast Victor Pokhmelkin, now the vice-president of the faction of the Union of the Right Forces (SPS) in the State Duma, holds an equally powerful status. According to some experts, the influence of political leaders is growing, and in four to five years these leaders will become a serious political force in the regions. It should be noted that this optimistic forecast may only be realistic for those regions of the Russian Federation in which a civil society is slowly taking root and democratic liberties are not being violated.

Another feature of our research was that the respondents did not include representatives of science and culture in the structure of the elite. This can be explained by the fact that the vast majority of the intelligentsia has been unable to adapt to the market reforms and by the fact that the crisis in culture and education has been pushed to the sidelines of public life. Further, during the late 1990s, public interest in political and ideological discussions decreased, and as a result intellectuals lost the status of “prophets” and of bearers of eternal values that they had gained during “perestroika”. In order to retrieve their lost elite status, the intelligentsia will have to find a new identity that is linked exclusively to their professional activity. This, in turn, depends on the state policy in the field of culture and education.

The respondents in our study did not regard the representatives of the power structures (the Ministry of Defense, the Ministry of the Interior, the Federal Security Service, and the Tax Police) as influential regional political players. The exceptions were those elected as deputies of legislative bodies. According to the

respondents, the power structures in their regions have not, at least till now, played an independent political role.

Organized crime occupies a special position in the political and economic life of modern Russian society. As organized crime is an anti-system force, its representatives frequently become important figures and influence social processes considerably. In a way, organized crime can be viewed as a regional shadow or counter-elite that aspires to official (legal) positions in the region. In some regions of Russia criminals are listed as influential persons. Sverdlovsk Oblast is one such region. According to the Moscow Carnegie Center's study conducted in the early 1990s, the elite – alongside the head of administration, the chairman of the Council and the representative of the president – included three mafiosi.⁹ Another study conducted by sociologists of the Rostov Academy of Public Service came to similar conclusions. In the mid-1990s, according to 18.5% of the region's top-ranking officials, the Mafia and the criminal structures now hold the real power in the region.¹⁰ We came across similar viewpoints during our interviews.

However, the situation has started to change. In contrast to the mid-1990s, when high-ranking officials could include people with criminal pasts into the local elite, the statements made by such officials had become more balanced and considered by the end of the 1990s. Increasingly, when they spoke about people with questionable pasts, representatives of the regional elite distinguished between those who have not committed crimes, those who have not been brought to trial and those who have not been convicted. In the opinion of the regional elites, people whose assets are of doubtful origin may join the elite in due course, though not instantly. They must, however, prove to the regional community that they are able to manage their property properly and are able to use their capital for the benefit of the region. However, many respondents among the regional officials and businesspeople emphasized that no compromise was possible with people with criminal pasts. As the mayor of one of the towns in Rostov Oblast said: "A bandit must be taken to prison, but first his crime must be proved".¹¹

The regional authorities thus understood the necessity to legalize capital and reject cooperation with criminals a long time ago, and in this they differ from the federal center. This factor, clearly shown in our summer 1999 study, demon-

9 *Transformatsiia rossiiskikh regional'nykh elit v sravnitel'noi perspektive* (Transformation of Russian regional elites in a comparative prospect). Moscow 1999, p. 101.

10 Ponedelkov, A. *Politiko-administrativnaia elita: genezis i problemy ee stanovleniia v sovremennoi Rossii* (Political and administrative elite: genesis and problems of formation in the modern Russia). Moscow: Rossiiskaia akademiia gosudarstvennoi sluzhby pri Presidente Rossiiskoi Federatsii, 1995, p. 64.

11 It is not by chance that we consider this question in detail. The problem of capital legalization, in our opinion, is of prime significance for modern Russia. During a decade of economic reforms in the country thousands of people managed to acquire huge capital, and to turn into proprietors of large economic objects. Some of these are already included in the economic elite of the country, others wait on the side to legalize the capital and increase their social status. Their future is not a peripheral issue. The economic prosperity of Russia will mostly depend on their future, and on their relations with the authority.

strates that during the past few years the elite's corporate solidarity has become stronger. Some representatives of the economic elite have begun to overcome their alienation from the regional state bodies and now cooperate with them for the sake of mutually beneficial benefits. This, however, does not relate to all business elites, but only to those who are interested in cooperation with the authorities or who are trying to find protection from abuses of power.¹²

The regional elite consists of various groups. Some of them have already reached a high level of influence in the regions. Others have so far only gained in significance but may eventually become strong political players. The economic elite is the most dynamic group. The political elite represented by the leaders of parties and movements has some potential for developing into an influential political force. This is also true for the power structures that appear to be receiving a serious political role in Putin's reforms.

12 For more details see Lapina, N. and A. Chirikova. *Regional'nye elity RF: modeli povedeniia i politicheskie orientatsii* (Regional elites of Russia: behavioral models and political orientations). Moscow: INION, 1999.

Sociological profile of the elite and the ways to power

Sociological research allows for a collective portrait of a modern Russian elite. As an interview conducted by the National Center for Study of Public Opinion has shown, a modern elite consists of relatively young people; half of its members are under 50 years old, and a fifth is under 40. The researchers say that the age of a regional elite is on average higher than in Moscow.¹³ Nevertheless, in Moscow during the 1990s essential shifts took place. Analysis of the age structure of governors demonstrates that for the past six to seven years many heads of the regions have been replaced by younger people, and the average age has decreased from 55 years to 52. The youngest of the modern elite are representatives of private business. As our own study in the regions proves, the most active age in business is between 32 and 45 years.

The modern Russian elite is well educated: 94% of the representatives have higher education, and 20% have a science degree.¹⁴ Among the governors elected between 1993 and 1997, 33% had two higher education degrees. During the years of reforms, the educational background of the regional heads changed. The percentage of people with higher technical and arts education has decreased, and the number of those with higher education in agriculture has simultaneously increased.

13 Ershova, N. "Transformatsiia praviashchei elity v Rossii v usloviakh sotsial'nogo pereloma" (Transformation of the ruling elite in Russia under conditions of a social conversion) In *Kuda idet Rossiia? Al'ternativy obshchestvennogo razvitiia* (Where does Russia go? Alternatives of public development), ed. T. Zaslavskaiia and L. Arutiunian, 154. Moscow 1994.

14 *Ibid.*

The studies that we carried out in the 1990s confirmed a high educational level of the regional business elite. Among the business people surveyed, none were without higher education, 12% had two higher education degrees, and 15% had a doctoral (*kandidat nauk*) degree. The high educational level shows that membership of a business elite is no coincidence. Today, a good education is a prerequisite to success in the upper echelons of business.¹⁵

The modern Russian elite consists mainly of men. Those women present in the elite more often than not hold positions in the legislative segment of power rather than in the executive segment. This common federal tendency is particularly obvious in the regions. Only one woman in all 89 members of the Russian Federation was the elected head of a region (namely V. Bronevich, governor of the Koryak Autonomous Okrug). There are practically no women in the regional business elite, although women play a significant role in private business and especially in medium- and small-sized businesses.

The Soviet regime used to have a rigid system of selection and appointment of cadres. With the breakdown of the party state the well-adjusted mechanism of social progress disintegrated. Representatives of the nomenclature, however, managed to maintain key positions in the economy and in power. Researchers studying the social transformation of the elite in post-Soviet countries (Ya. Stanisky, Å. Shalai, J. Mink, J-Sh. Shurek, and J. Vassilevsky) discuss the tendency of self-reproduction of the nomenclature.¹⁶ In the structure of the modern Russian elite the former Soviet ruling class is well represented: about 80% of the latter's representatives took elite and proto-elite positions in the late 1980s to early 1990s.¹⁷ This trend is even more evident in the regions. The peculiarities of the provinces, where ideological and political opposition to the ruling power is encountered far less often than in the center, include a lack of personnel and the absence of professional people capable of performing administrative functions. Only the business elite is an exception. Two thirds of its representatives have no relation to the Soviet nomenclature and began their ascent in the post-perestroika years. One French sociologist, G. Mink, explains the ability of the Soviet nomenclature to adapt to new conditions by subdividing it into two groups. According to Mink, the first group ("the rational nomenclature") found its place in the new

15 Lapina, N. and A. Chirikova. *Regional'nye elity RF: modeli povedeniia i politicheskie orientatsii* (Regional elites of Russia: behavioral models and political orientations). Moscow: INION, 1999.

16 Fratellini, N. and Th. Lowit. "La survie du socialiste réel dans l'entreprise post-soviétique." *Esprit*, no. 2 (1994), p. 40-51; Lane, D. "Soviet elites, monolithic or polyarchic?" In *Russia in flux*, ed. D. Lane, London 1992; Mink, G. "Les mystères de l'acteur invisible: Remarques sur l'hypothèse du retour des communistes en Europe Centrale et Orientale." *Cahiers intern. de sociologie*, vol. 95 (1993).

17 Ershova, N. "Transformatsiia praviashchei elity v Rossii v usloviakh sotsial'nogo krizisa" (Transformation of the ruling elite in Russia under condition of a social conversion). In *Kuda idet Rossiia? Al'ternativy obshchestvennogo razvitiia* (Where does Russia go? Alternatives of public development), ed. T. Zaslavskaiia and L. Arutiunian. Moscow 1994, p. 155.

society. The second, which Mink terms “irrational”, could not determine an active strategy of social behavior and consequently chose a “survival” model.¹⁸

The large representation of the former Soviet nomenclature in power today indicates that the process of forming an elite layer in the regions of Russia has advanced slowly. This does not mean, however, that for the past years the structure of the regional political elite has remained unchanged. *First*, representatives of the economic elite have actively moved into the political elite. This factor is clearly visible at the level of regional legislative assemblies, which consist, in part, of the heads of large enterprises or prominent businesspeople. The share of representatives of the economic elite in the present State Duma is high: 96 persons of 450.¹⁹

In some regions the heads of the executive authority are protégés of influential Moscow or local financial and industrial groups. For example, the governor of Yamal-Nenets Autonomous Okrug,²⁰ Yu. Neelov, is completely dependent on Gazprom. Other directors of oil-extracting regions depend to a lesser or greater degree on the petroleum companies working in their territory. The head of the Republic of Khakassia, Aleksei Lebed, is the protégé of Russia’s biggest aluminum factory (a subdivision of the Russian Aluminum company), and, as far as we know, the leaders of Rosalko do not foresee a possible political replacement for him. His prominent brother, General Aleksandr Lebed, was elected a governor of Krasnoyarsk Krai in 1997 with the powerful support of one of the most influential businessmen of the region at that time, Anatolii Bykov (now awaiting trial on charges for several crimes). Few of the protégés of big businesses are able to free themselves from the guardianship of the financial and industrial circles that supported their promotion. An exception is General Lebed, who has managed not only to keep his distance from former allies but has also started an open struggle with them. Another example is the governor of Primorskii Krai, Yevgenii Nazdratenko. Nazdratenko used to be supported by the association of local manufacturers (PACT) but severed ties with PACT after a couple of years.

Second, the power elite has been renewed with professionals, a factor that is particularly obvious at the level of the close associates of the heads of regions and at the level of regional administrative employees. Till the mid-1990s the main criterion for the assignment of high regional posts was loyalty to the head of the executive authority. However, as the problems facing the regional authorities became more complicated, the personnel structure of the heads of administrations began to alter. As our study shows, the main staff changes in the Rostov and Perm

18 “Les mystères de l’acteur invisible: remarques sur l’hypothèse du retour des communistes en Europe Centrale et Orientale.” *Cahiers intern. de sociologie*, vol. 95 (1993), p. 424.

19 Lapina, Galina. “Politicheskaia elita: fragmenty sotsial’nogo portreta” (Political elite: fragments of a social portrait). *Rossiiskii sotsial’no-politicheskii vestnik*, no.1 (2000), p. 4.

20 Ninety per cent of all Russian gas is extracted in this region.

regions affected the economic and political departments of regional administrations. The influx of fresh, qualified staff into the governor's machine not only increases the professional level of the power elite in the provinces but also promotes its rejuvenation.

With regard to the structural changes to regional political elites, another, somewhat disturbing tendency should be noted, namely the politization of those criminal structures that are struggling for levers of power in Russia's regions. The main resource of these structures is the powerful financial backing of the criminal world and of shadow business, and their main mechanism for entering politics is through elections. In December 1999 a prominent criminal authority, S. Mikhailov (well known to Swiss law-enforcement bodies) tried to nominate himself for election for the Taganrog electoral area (in Rostov Oblast). Interference from the Central Election Commission was required in order to prohibit his participation in the election. In additional elections for the State Duma in the Sverdlovsk electoral area (March 2000) a leader of the Uralmash (OPS) political union,²¹ A. Khabarov, took part.

In analyzing shifts in the structure of the regional elite we are inclined to agree with analyst N. Petrov, who states that by the end of the 1990s the "elite in the regions stabilized and became even more closed".²² The results of the elections of the heads of regions confirm this opinion. In half the regions of the Russian Federation the heads of the executive authority are currently the same people who held these posts between 1991 and 1993. These include 13 presidents of republics and 30 heads of executive authorities of autonomous okrugs, oblasts, and kraia. As a rule these leaders are supported by the population of these territories and have managed to consolidate the elite within their region. In the case of federation members in which the heads of the executive authority changed, the elections were generally won by managers well known in the region. Among these are mayors of big cities and deputies of the State Duma. The "entrenchment" of a leader in his region, as we have already mentioned,²³ became one of the distinctive features of the positive influence of a regional leader's activities. Of the governors the overwhelming majority are native to the region in which they serve. Today, only one prominent Moscow politician "parachuted" into a region with which he had not been connected beforehand, namely the governor of Krasnoyarsk Krai, General Lebed. Other elected governors from among Moscow

21 This abbreviation is interpreted by law-enforcement bodies as "organized criminal community".

22 *Transformatsiia rossiiskikh regional'nykh elit v sravnitel'noi perspektive* (Transformation of Russian regional elites in a comparative prospect). Moscow 1999, p. 95.

23 For more details see Lapina, N. and A. Chirikova. *Regional'nye elity RF: modeli povedeniia i politicheskie orientatsii* (Regional elites of Russia: behavioral models and political orientations). Moscow: INION, 1999.

politicians are less entrenched in the regions but still maintain links to a particular region.

During the years of reforms, the regional elite did not have to go through the revolutionary collisions that shook the elite of the federal center. During the 1990s, the elite layer in the regions underwent a slow evolution, induced mainly by politicians, professional managers, and representatives of economic elites. It became impossible for new people from the outside to enter into the elite. In short, *the elite as an independent social group had become practically closed by the end of the 1990s, and only serious political collisions or the total redistribution of property in the provinces and/or in the country as a whole could provoke a new wave of revolutionary changes within the structure of the elite layer.* We shall elaborate on this below.

Criteria for a typology of the regional power elite

There are numerous attempts in the scientific literature to classify the regional power elite according to various criteria. Some researchers choose to analyze distinctions of stratification by examining the features of elite representatives, such as age, education and social origin. This approach was common during the first half of the 1990s, when the elite layer in Russia had just begun to develop, and scientists were curious about the nature and emergence of a modern elite. Others have analyzed the regional elite by distinguishing the different policies pursued by its representatives. Such analyses tend to juxtapose supporters of and opponents to reforms, and “democratic” and “authoritarian” leaders.²⁴ A third approach is to classify a regional elite on the basis of its ability to consolidate. Supporters of this approach distinguish between consolidated regional elites and elites that are unable to engage in dialogue and make compromises.²⁵ Each method has its merits, revealing certain specifics about a regional elite and identifying features about how an elite functions.

Our method of investigation is based on the *presence or absence of administrative experience within the Soviet system among representatives of an elite layer*. For this

24 Gelman, V. “Regional’naia vlast’ v sovremennoi Rossii: instituty, rezhimy i praktiki” (Regional authority in the modern Russia: institutes, regimes and practices). *Polis*, no. 1 (1998), pp. 87-105; Kuznetsova, O. “Novgorodskaia i Pskovskaia oblasti: ekonomicheskoe polozhenie i faktory razvitiia” (The Novgorod and Pskov regions: economic situation and factors of development). *Voprosy Ekonomiki*, no. 10 (1998), pp. 143-154.

25 Zubarevich, N. “Rol’ ekonomicheskogo razvitiia v formirovanii regional’nykh elit” (Role of economic development in formation of regional elites). In *Transformatsiia rossiiskikh regional’nykh elit* (Transformation of Russian regional elites). Moscow 1999, pp. 128-139.

study we selected three elite groups. The *first* comprises the (former) members of the Soviet party and state nomenclature who have extensive administrative experience and skills in coordinating decisions with other figures and centers of power. Their movement up the career ladder has been consecutive and smooth. Representatives of this group of the elite layer – trained as managers within a command system – generally found it difficult to master the elements of democracy but were, on the whole, surprisingly adaptable. This is not to suggest that the elite of nomenclature origin is closed to democratic values. During our study we met regional leaders who had been managers within the Soviet system, who were open to democratic values and who were realizing these in practice. If we follow the career trajectories of the heads of the executive power in the regions, we see that representatives of the nomenclature layer are well represented in the national republics (12 of 21), in the autonomous okrugs, and in the Russian krais and oblasts (25 of 67).²⁶ This group forms the biggest of the regional power leaders.²⁷

The *second* group is made up of “economists”, representatives of the elite with experience in managing Soviet enterprises. The main advantage of this group lies in its available, although specific, administrative experience and its knowledge of economic mechanisms. Members of this group are dynamic, energetic, and able to work with people, and they have extensive social connections. One challenge they face, however, as they engage in their new roles, is that they often lack sufficient experience in managing the regional system as a whole. There are three “economists” among the presidents of the national republics; in the autonomous okrugs and Russian oblasts there are 11.

The representatives of the nomenclature layer and the economists have much in common. They demonstrate a high degree of pragmatism. They were quick to leave political parties and to abandon ideological phraseology, using it only when necessary, as is done, for example, by the heads of national republics. This flexibility allowed them to survive and to adapt during the years of collisions. The communist governors are an exception to this. Some of them remain faithful if not to the ideology, then at least to the party that originally supported them. These leaders tend to be moderate and traditional. Most of them believe in the need for gradual and measured transformation. Because of the social and psychological features of the representatives of the nomenclature layer and of the economists, we consider it inaccurate to regard their coming to power as “a revenge of the nomenclature”. Rather it means that modern society, tired of all the

26 The calculations were made by the authors in the summer of 2000, on the eve of a new series of elections of heads of the regions (half the heads of the regional executives are to be reelected in the fall/winter of 2000).

27 Ershova, N. *Opi. cit.* – See also: Sleptsov, N., Kukolev, I. and T. Ryskova. “Lidery rossiiskikh regionov: ispytanie plebistsytom” (The leaders of the Russian regions: test by plebiscite). *Sotsiologicheskie issledovaniia*, no. 7 (1998). In the last paper the authors classified the regional elites into eight groups defined by career typologies: pragmatists, economists, directors, party functionaries, managers, teachers, komsomol members, and foremen. The authors showed that the most stable in the corps of heads of executive authority in the regions are the pragmatists.

collisions, looks for the qualities of a moderate leader, a pragmatist capable of making responsible decisions.

The *third* group consists of the outsiders. This group is the least homogeneous and is smaller than the first two. It includes people with various social backgrounds. All of them, however, have one feature in common: in the past they were not leaders, their promotion up the hierarchical ladder was quick, and they sometimes entered the elite layer by chance. We will attempt to identify heads of regions who belong to this group and to show how they were able to advance to the top of their region's power pyramid.

The outsider group includes politicians, representatives of the first democratic wave in the late 1980s to the early 1990s. Their legitimacy was based on their struggle with state socialism. Their ascent to the political Olympus was fast, and Yeltsin's support for members of this group from 1990 to 1991 became an important factor in their progress to the elite layer. This group includes the first elected mayors of St Petersburg and Moscow, Anatolii Sobchak and Gavriil Popov, respectively; the former governor of Nizhnii Novgorod Oblast, Boris Nemtsov (now deputy of the State Duma); the former head of Krasnoyarsk Krai, V. Zubov; and the president of the Chuvash republic, Nikolai Fedorov (between 1990 and 1993 the Justice Minister of the Russian Federation). The heads of regional administrations appointed by the president of the Russian Federation in 1991 included many representatives of the intelligentsia from scientific universities. These heads of regions, with rare exceptions, were unable to keep their posts during elections.

The group of outsiders also includes the military. Originally, military staff acquired the status of public politicians mainly in the republics of Northern Caucasus, where the population traditionally tends to respect the military. In 1991 General Dzhokhar Dudaev was elected president of the Chechen Republic. In 1997 General Aslan Maskhadov was elected there. In 1993 Combat General Ruslan Aushev became the president of the Republic of Ingushetia. In 1999, during presidential elections in the Karachaevo-Cherkess Republic, General V. Semenov won the elections. The wave of elections of military officers to high posts in the membership of the Russian Federation was not confined to the Northern Caucasian region, but occurred in other regions of the Russian Federation. Governors with high military ranks, as a rule, are very often prominent politicians within Russia. Among these are Aleksandr Lebed (Krasnoyarsk Krai), Aleksandr Rutskoi (former governor of Kursk Oblast), and Boris Gromov (Moscow Oblast).

The growing representation of the military in the elite layer is not coincidental. Most likely it reflects the electorate's aspiration for order and stability. This tendency is especially typical in stable regions. With Putin as president, the representation of the military in the elite layer will undoubtedly grow. A sign of this is Putin's appointment of plenipotentiary representatives in federal districts (only two of seven are not career militaries) and the large number of candidates from the military at the governor elections in the fall of 2000.

We have also associated those heads of regions with the group of outsiders who before they were elected had been in business. As a rule, they began their activities in the private sector during “perestroika” and proved that they could be successful in the business world that developed in the new Russia. Most likely this is what caused the electorate of Kalmykia to vote for the young and successful businessman Kirsan Iliumzhinov and caused the population of the Republic of Karelia to support S. Katanandov, a former businessman and mayor of Petrozavodsk. For similar reasons, and the electors of the Nenets Autonomous Okrug voted for V. Butov.

The group of outsiders also includes Moscow politicians “parachuted” into the regions by parties. These include Liberal Democratic Party of Russia (LDPR) representative E. Mikhailov and head of the Republic of Altai (Democratic Choice of Russia) V. Zubakin. Both were former deputies from these regions in the State Duma. As a whole, the “parachuting” of metropolitan politicians into the regions, rather common in the countries of Western Europe, has not continued in Russia because of the low level of integration displayed by these politicians in the regional communities. Furthermore, regional elections in the 1990s were increasingly becoming the business of the regions, and the results have so far depended upon the degree of consolidation of the elite layer.

We were convinced that the power elite of the regions differed greatly with regard to its internal structure. Its representatives are of various ages, have varying social experiences, and differ in how their careers advanced them to high posts. Because one of the central questions of this study is the analysis of foreign political and foreign trade activities of the regions and their heads, we are naturally faced with the question regarding the degree to which stratification characteristics influence the open or closed character of policy, as pursued by the regional authority, and the activity of the regional elites as a whole in foreign political and foreign economic spheres.

The complex nature of these issues will be considered in more detail below. At this point we wish to note that our study does not conclude that the international activity of regional leaders is connected with their ages, social origins, or types of career. The determining factor is, in this case, the availability of the region’s economic resources that the head has at his disposal. The more economic resources a region has access to, the more it tends to be oriented towards export and/or attract foreign investors on the one hand, and the stronger the governor’s or president’s power tends to be on the other. Significant economic resources also seem to encourage regional leaders to actively encourage their subordinated territory into an international space that promises high political and economic dividends. It is no coincidence that the regional leaders – regardless of their social background – play a leading role in this sphere. These include the nationalist and communist N. Kondratenko (in 1999, under Kondratenko’s direction, Krasnodar Krai’s volume of direct foreign investments was fifth highest of the members of

the Russian Federation), President of Tatarstan M. Shaimiev and Chairman of the Government of the Republic of Karelia S. Katanandov, who was once a businessman. Both tend to reprove the West in public, while in practice they tend to cooperate with foreign ministers with great skill, giving measured evaluations and bringing with them much experience from working in party structures during the Soviet era. However, the social background of the various heads of regions can influence the way the region is ruled considerably. These problems will be analyzed in the next section.

Regional elites and the priorities of domestic policy

The main purpose of the representatives of the elite layers is to hold leading positions within a given society and to expand their own sphere of influence. At the same time the elite, interested in maintaining a region's vitality, seeks to carry out measures directed towards upholding political, economic, and social stability, towards expanding interregional and international relations of the territory, and towards upholding stable relations with the federal center. This section looks at the regions' internal resources, which are at the disposal of the power elite and which form the basic elements of its policy. Without an investigation of the volume of resources of a regional authority, we cannot understand the basis on which a territory develops its foreign political and foreign economic relations and builds its relations with the federal center. This section explores three features that formed the basis for the activity of regional authorities (before Putin's administrative and legal reforms):

- Strengthening of the vertical axis of power;
- Control over the political situation; and
- Development of a regional economy.

5.1. Strengthening the vertical axis of power

The formation of the state authority at the regional level took place in two stages. In the first revolutionary stage of building a new state (1991-1995) various branches of power and new power institutions (the institution of the president or governor, bodies of representative authority, and local government) were formed

in the provinces. During these times of intense political struggle, while the center was without a balanced regional policy and was losing many levers of influence over the members of the federation, a strong executive power was being formed in the regions. This executive power intended to ensure political stability on the regional level. How this was accomplished depended on a region's internal political situation, on the traits and traditions of local authority, and on personal characteristics of regional leaders. In the second stage, which began in 1996, the tasks of the regional authority became more complicated, and the spheres of influence were extended.

The national republics were the first to start the process of state building. Holding the greatest political independence in the beginning of the 1990s, they adopted their own constitutions. Most (12 of 21 republics, including Kalmykia, Tatarstan, Sakha [Yakutia], and Bashkortostan) accepted the model of the presidential republic as a basis, granting wide-ranging powers to the president. Later, the state-building process moved to the ethnic Russian provinces.

The central position within a regional authority is that of head of region, president or governor. He is personally responsible for stability in the region. Together with his team, usually made up of deputies and advisors, he develops the management structure of the regional economy and of the social policy. Officially, the executive authority in a region is subordinate to the head of the region, who nominates members of the government or leaders of the regional administration and supervises their activity. The head of the region also approves the administrative structure. It should also be noted that appropriate boards and departments are being created in all Russian regions where the economy is open and where there is an interest in international economic cooperation. Among other administrative resources at his disposal, the head of a region has an influence on the regional branches of federal structures. In some regions there are up to 80 institutions of federal jurisdiction. During the 1990s, regional structures of federal bodies frequently lost autonomy to the local authority and followed its directions.

Security councils were created in many Russian regions under the control of the heads of the executive authority. Originally, security councils appeared in those regions where it was necessary to solve intense ethno-national conflicts (for example, in the Northern Caucasus). Today, security councils function also in central Russian regions. They became especially active in 2000 in connection with mass interruptions to the electricity supply.

As soon as a new system of power among the federation members began to emerge, the main task the heads of the regions faced was twofold: *achieving administrative manageability and setting up a vertical power structure within the region*. Such an approach was justified by several factors: political tension within society was high, the federal center was weak, and the regions did not expect the center's support; new institutes of regional authority (parliaments and legislative assemblies

and local government bodies) had just begun to be formed and lacked influence. These factors forced regional leaders to act in authoritative manner and often without compromise. The models of power in the regions, however, differed from territory to territory.

In some regions – and we recognize that these are a minority – the authority did not prevent the formation of institutions of civil society. It supported the establishment of local self-government and respected political parties, independent mass media and other emerging institutions of civil society. In these regions the authority also did not act against organizations protecting human rights. In democratically oriented regions power is exercised by several actors, who share authority and responsibility. In these regions many centers of decision-making emerged, and the governor was bound to share power with other political figures. In the spring of 2000 the 2nd Russian Political Science Association Convention took place in Moscow. In the session that discussed regional problems experts from the regions were asked to list the most democratic regions of Russia. The list was short. It included the Perm, Tver, Samara, Tomsk, Tambov, Novgorod, and Sverdlovsk oblasts. We should bear in mind, however, that at this point in modern Russia we can talk only about limited democracy.

In other regions the authority openly used undemocratic, authoritarian methods of governing. Examples are some national republics where the opposition is suppressed, elections are unfair because opposition candidates are refused participation in the elections, election results are forged, and independent journalists are persecuted. The republics of Bashkortostan, Kalmykia and Tatarstan are the most notorious examples. To this list can be added the Pskov, Omsk, Kursk, Kaliningrad oblasts, and Primorskii Krai.

In regions with a rigid structure of executive authority there is a strong, often charismatic leader. The distinguishing feature of such leaders is the total support they receive from the population. According to regional election results, we find a very high level of electoral support in more than 20 regions. In the mid-1990s the most support from the population was given to national leaders. President of the Republic of Tatarstan M. Shaimiev received 97.1% of the vote in 1996; President of the Kabardino-Balkar Republic V. Kokov received 99% (1997), and President of Ingushetia R. Aushev received 94.2% (1994).²⁸

The strong support for national leaders remains. In March 2000 the governor of Khanty-Mansi Autonomous Okrug, A. Filipenko, was re-elected with 91% of the vote, and the governor of Yamal-Nenets Autonomous Okrug, Yu. Neelov, received 88% of the vote. Increasingly, the heads of Russian territories can be compared to national leaders with regard to the level of support they receive from the population. In March 2000 the governor of Saratov Oblast, D. Aiatskov, received 70% of the vote, the governor of Murmansk Oblast, Yu. Evdokimov,

28 *Nezavisimaia gazeta*, March 28, 2000.

received more than 80%, and for the chapter of Altai Krai, A. Surikov received 77.4%. All were elected for the second time.²⁹

The regional political authorities use various methods of governance. Some authorities comprehensively supervise the political and economic life of the territory and suppress the opposition. For this model to work the authority must be a strong dominant actor in the region. Other authorities rose as a consolidating force, and their activities are directed at seeking dialogue with independent social actors.

A strong executive authority has formed in the Russian regions, infiltrating practically all public spheres. This authority has become the center of attraction for professional people with initiative. When the state control system was in deep crisis, the heads of many Russian regions managed to build up a successful vertical hierarchy of power, providing stability and manageability within the federation as a whole. Some experts and politicians regard this process as a “forming of parallel systems of power and management”.³⁰ In our opinion, the systems that the regions formed were not parallel structures, but rather individual systems of power that do not contradict the principles of real federalism as proclaimed in the constitution. One should also note that the vertical power structures, as they developed in the regions, are the regional answer to problems caused by an overall administrative crisis.

However, the vertical hierarchy of power that formed in the regions is in obvious contradiction with the national vertical pyramid of power. In most regions there are no political conflicts between the executive, the legislative, and the judicial authorities. An absence of any political opposition in itself is an attribute of stability. But we must take into account that under Russian conditions “a political compromise” is reached not at the expense of a division of the various branches of power, but by submission of all branches to one actor, namely the executive. The main drawback of such a power structure is the absence of competitiveness. A strong, unquestioned authority feels self-sufficient and ceases to develop.

5.2. Power and methods of control over the political situation in the regions

By 1996 the initial formation of regional authorities had been completed. In June 1996 presidential elections took place in Russia. These required colossal mobilization of the internal resources of regional authorities. Later (1996-1997), elections of heads and deputies of local parliaments took place in all federation

29 “Novye gubernatory – eto khorosho izvestnye starye” (New governors are the well-known old ones). *Profil*, no. 12 (2000), pp. 9-11.

30 *Strategiia dlia Rossii: Povestka dnia dlia Prezidenta – 2000* (Strategy for Russia: agenda for the President – 2000). Moscow: Vagrius, 2000, p. 234.

members. During the elections only half the heads of the regions managed to confirm their authority. They subsequently faced the acute problem of becoming familiar with the levers of control of the political situation.

Presidents of national republics have the greatest influence on a region's political processes. Political opposition in national republics is strictly regulated, and practically no opposition representatives are in the bodies of legislative authority. So, for example, no member of the political opposition was admitted to the presidential and parliamentary elections in the Republic of Bashkortostan (summer 1998 and March 1999); only three representatives of the political opposition sit in the parliament of the Republic of Komi (elections were held in February 1999). However, in republican parliaments the state bureaucracy is well represented, including the ministers and other big functionaries, directors of enterprises and the heads of local administrations, which in these republics are not elected but are nominated by the president. The presidents of national republics directly influence the mass media.

In national republics, where the authority supervises the process of elections and is able to fully mobilize its administrative resources, Putin received the biggest percentage of votes in March 2000. In Dagestan he received 76.6% of the vote, in Ingushetia 85.4%, in the Kabardino-Balkar Republic 74.7%, in Karelia 64.2%, in the Republic of North Ossetia-Alania 64.6% and in Bashkortostan 60.3% (by comparison, he received 52.52% in the whole Russian Federation).³¹

But how does the regional authority control the political situation? As our study shows, the strategies for controlling the political situation in a region can be divided into "overt" and "covert" strategies. In various regions of Russia open organizational and legal control is carried out. This management strategy consists of creating organizational structures to coordinate relations between parties within the administration. This method is used by the government of Perm Oblast, which has established a sector for politics and national relations in the regional administration. Here the vice-governor is responsible for political issues. In March 2000 an advisory political council was created, subordinate to the head of the oblast. The purpose of this council is to maintain a political balance in the region. According to S. Kiselev, assistant to the Perm governor, the task of the new body is to establish rules that apply to all. The council includes the most influential politicians of the region – deputies, representatives of large business, and heads of local government and regional administration.

The fact that new administrative structures were created before the elections of 1999 and 2000 shows that the regional administration intended to actively analyze the political situation in the region in order to predict possible shifts in electoral behavior, to form information flows and to supervise the lawfulness in the

31 *Nezavisimaia gazeta*, 28 March 2000, p. 3.

development of party formations. Also, the creation of the advisory council was an important factor in the consolidation of the regional political elite around the head of Perm Oblast, G. Igumnov, on the eve of the elections for governor. The creation of legal structures responsible for political activity is a step forward for the regional authority and one that has not been made by all heads. The open sortie of the regional administration into the political space demonstrates that the regional authorities intend to increase their role in the election process. It does not mean, however, that the “open” political bodies in the region will not use “latent” channels for regulating the political situation in their territory.

Another form of open control is the institution of a round table. Round tables are initiated by the administration, both at regional and city level. This practice is widely used in the regions surveyed. Round tables, as a rule, are held to discuss the most urgent political problems. According to our information, most participants at round tables (70%) consider this a good means of communication and said that it gave them an opportunity to get to know their political opponents better and to build inter-party and personal relations with them. Round tables also allow the regional administration to keep abreast of political processes in the region, to watch the development of political parties and movements, and to build rational relations with these.

A further variant of control, which can be called “selective patronage”, has a different character. Here the authority establishes privileged relations with and renders real support to certain parties and movements without making such political contacts public. The selection of parties as allies of the power depends on several factors, including the political preferences of the leader, personal relations between the party leaders and the leader of the power and the policy of the federal center in the field of party creation. Although the representatives of power, when interviewed by us, insisted on an equal approach to all democratic movements, the information we received leads us to conclude that each region has a system of preference whereby certain movements are supported more than others.

Selective patronage assumes a different form of administrative support to political parties and movements than open control. This method of interaction between the authority and political actors is based on personal relationships between the leaders of power and the leaders of political parties and movements; it is of a private nature and cannot be controlled by the public. This method of managing the political situation appears semi-legal and obviously contradicts Russian laws, which forbid officials to participate in election campaigns.

5.3. Economic resources and the shaping of regional economic policy

Originally, the main problem of the regional authority consisted in building its own vertical power structure. Later, the problem of how to maintain control over the political situation in the region arose. As these problems were solved in general, the region faced the primary issue of how to form its own economic policy.

The solutions depended on the degree of control established by the authority over economic resources and its skill in disposing of these resources. In current literature by Russian experts there are practically no studies on economic policy in the provinces. This can be explained by the complexity of the problem and the requirements of field research and is also the reason why the majority of experts restrict themselves to general statements on this issue. During the 1990s the head of a region determined how economic resources were to be used. He controlled the local budget and finances, and the establishment or cancellation of local taxes, and he was responsible for granting privileges, licenses and grants. Under the law such decisions are to be approved by a representative body. In practice, however, the legislative body was only assigned the function of legalizing decisions already made by the head of the region. Further, the head of the federation members actively influenced privatization in the region, the organization of tenders and auctions, selection of foreign investors, and the main directions of economic policy: price regulations or decisions on whether or not certain regional enterprises were to be declared bankrupt.

The regional authority uses its administrative and economic resources in various ways, and it understands and investigates problems in the field of the economy in various ways. Decisions about a regional authority's type of economic policy, the extent of its market orientation and whether it is closed or open are made on the basis of the volume and nature of the region's economic resources. The choice of economic policy further depends on the type of leader. For some leaders economic activity is seen as necessitating rigid control over the subjects of the economy, and these leaders either establish a system of "patronage" (as is the case in Moscow and in some of the national republics) or incorporate the subjects of the economy directly into the system of power (a practice which is being developed in those regions where power is held by communists). In other federation members the regional authority realized that to achieve good economic results it must promote competitiveness and learn how to build civilized relations with businesses so as to enable dialogue with business representatives. More often this kind of policy occurred in those regions where the authority could not behave in a different way, as it dealt with strong and independent economic actors.

Initially, the authorities of practically all the Russian regions struggled to keep the extensive economic resources for themselves as blocks of shares in

privatized enterprises and to avoid the takeover of the region's resources by outside investors such as Moscow companies and banks. This challenge became evident after the mortgage auctions of the fall and winter of 1995, when parts of the Russian economy passed into the hands of Moscow's biggest financial and industrial groups. The policy of "isolationism" adopted by some regional authorities was justified to a certain extent, as many of Moscow's financial and industrial groups would extort all available resources from the objects they acquired in the regions only to then leave them to their own devices afterwards. However, the sometimes harsh protectionist measures taken by regional authorities were no better a solution to those regions' economic problems. After the financial crisis of summer 1998 even the richest regions had lost all their financial assets, and the regional authorities were compelled to "open" their territory to Moscow and other financial and industrial actors.

The most important attribute of the regions where the local authority supervises economic resources and aims to use them rationally is perhaps the realization of a regional industrial policy. Initially, industrial policy was directed toward the survival of the leading enterprises of the region. Later, other directions were added, such as the search for real investors, the development of international cooperation and the building up of a stable system of relations with external partners. The government of Perm Oblast was one of the first to consider it necessary to conduct an anti-crisis policy and to help local manufactures. "Tolerant" tax policy began in 1994, and schemes for state support to enterprises were developed. Enterprises were granted a tax release for a certain time, and they were allowed to keep the proceeds from the manufacture of products. Such assistance was given to 100 enterprises that, according to the regional administration, determined the economic situation in the region. Simultaneously, the regional authority did everything possible to help exporters such as those active in the oil and gas industry and the manufacturers of potassium fertilizers.

In 1996 the decline in the volume of production in the region ended, and in 1997 economic growth was 7.3%. Today, the economic development of the region is stable enough. The Perm economy is an open economy with a proactive market orientation. The openness of the region's economy of the region is based on its huge export potential. Perm Oblast is listed amongst the top 10 members of the Russian Federation that hold more than 30% of the country's foreign trade turnover. Because Perm's economic structure is open, export branches there outperform those in its neighboring regions. These include the oil and gas extracting Tyumen Oblast together with its autonomous okrugs, the republics of Komi, Bashkortostan, Tatarstan and the Vologda, and the Murmansk oblasts.

Elsewhere, in Rostov Oblast, the administration introduced in 1996 a policy of supporting local manufacturers. The first step was to sign agreements on administration with separate major enterprises in the region. In exchange for the privileges granted by the regional government (a reduction of regional and local

taxes and a reduction of energy and water costs), the enterprises undertook to save jobs, increase production and pay their debts and taxes. The first such agreement was signed by the administration of Rostov Oblast at the end of 1996. Today, there are more than 40 privileged companies. As a rule, these are the biggest enterprises and are more advanced than other enterprises in the region. The administration usually helped, or at least did not hinder, the establishment of contacts between the enterprises and foreign partners. In 1997 and 1998 the regional government actively lobbied the euro loan idea in Moscow; however, the financial crisis of 1998 put an end to any hopes of receiving it.

The economic policy of the administration showed positive results. Until 1997 most regional enterprises had barely survived. Then, according to the estimation given by the directors of these enterprises, after 1998 some of these enterprises entered the first phase of development. The policy of the regional authorities, which were, in general, supportive of these enterprises, is only explanation for the changes that took place. One key reason for the positive changes in the economy was probably the fact that enterprises had by then learnt to work in the market, to find reliable partners and to build complex economic chains. The formation of new administrative teams, competent collaboration with suppliers and consumers and reasonably good market conditions determined the positive shifts in the industry of the region.

The economies in both the Rostov and Perm oblasts are focused on an open market. Their foundations, however, are different. Rostov Oblast, where the sea and river ports of Russia are located, is an important transport and communications center. Just after the market reforms began, a favorable enterprise climate formed in the region, and many small- and medium-sized businesses emerged. Rostov, through its openness and its enterprising spirit, works closely with a number of seaside and frontier regions – the Khabarovsk, Krasnodar and Primorskii krais and Kaliningrad Oblast. The openness of these territories is determined by their geographical location and their proximity to the borders of foreign states.

Parallel to the development of open economies there emerged an economy of the closed type. Closed economies focus primarily on the home market. Regions with a closed economy are unattractive to outside and foreign investors and are not heavily involved in the international economy. This group of regions includes the regions of Central Russia, the Volga Vyatka and the North Caucasus.

The difference between the economic policies of the regions resulted from the reaction of economically different territories to market reforms and from the withdrawal of the state from the sphere of economy. When the USSR collapsed, the central ministries and departments ceased to run the economy, and consequently the regional economy began to develop within the Russian Federation. The regional economy is based on property rights and the freedom of regions to dispose of their property. The development of the regional economy promoted

the fragmentation of the Russian economic space and increased economic differences between the regions. Positive development occurred first of all in the economies of those donor regions that possessed vast economic and financial resources. As they had their own budgets, donor regions depended less on the redistribution of federal funds and were able to form independent economic policies in the 1990s. Other regions, in contrast to the donor regions, faced an extremely hostile economic situation, and the depressed nature of their economies was amplified.

Regional economies do not develop independently but derive from the economic situation of the whole country and from the policy approach of the federal center towards the regions. There is no doubt that the regions can only plan and conduct their independent economic policies if the federal center supports these initiatives or at least does not counteract them. The first steps undertaken by the new power in Russia show that the federal center was not in favor of a strong regional economy. It became apparent that the center was afraid of an economic strengthening of the regions after the 1998 crisis. In summer 2000 it became known that the Russian government had begun developing economic development programs for each of the recently created federal districts. Commenting on this decision, Russian Vice-Prime Minister A. Klebanov said the economic problems of Russia had arisen because economic programs had been realized by separate members of the federation.³² It is still unclear how this policy will be formed and who will implement it. A centralized economic model requires an extensive government sector and appropriate management structures. The fact that a strong regional economy irritated the federal center is also apparent in the amendments to the tax and budget codes that were accepted by the parliament in summer 2000. These amendments will lead to a gradual decrease of the share of federal tax revenues remaining in the region. The new fiscal policy primarily affects the donor regions, which, according to many federal politicians, are unduly independent.

The fact that the regions have gained access to their own economic resources and now have the right to dispose of these has transformed the regions into the main actors of the internal economic policy of the regions and has promoted an expansion of their international economic relations.

32 Ivanov, V. "Klebanov broshen na stroiki piatiletki" (Klebanov is to fulfill a five-year plan). *Kommersant*, 2 August 2000.

Regional elites and problems of international cooperation

In the 1990s the position of the Russian Federation as a subject of international law weakened. The state had partially lost its ability to realize and uphold national interests in the international arena and had lost the necessary tools (such as diplomatic channels and opportunities, and a military presence) to conduct active foreign policy. Further, the Russian government had been too engaged in its home policy to formulate a foreign-policy strategy.

A similar weakening of Russia's position also took place in the sphere of foreign economic relations, where the state lost its monopoly. From the late 1980s to the early 1990s Russia lost many of its traditional partners in foreign economic cooperation, and its position on the global market deteriorated. The fact that under the new conditions of openness of the Russian society and of growing regionalization the state had to withdraw from a sphere that had traditionally been its prerogative encouraged the regions to strive for a redistribution of the center's hold on power in the field of foreign policy and foreign economic relations.

According to the constitution of 1993, foreign policy is within the competence of the state (article 71). The situation is more complex in the case of foreign economic relations, which are simultaneously controlled by the state and jointly controlled by the federal center and by members of the federation. In the 1990s many Russian regions tried to become independent actors in foreign policy and foreign trade activities. These intentions were written into official documents. The constitutions of Dagestan, Bashkortostan, Tatarstan, Tuva, Ingushetia, and Komi, as well as the charters of some of the ethnic Russian

territories and regions, deal with issues of foreign policy and international relations. Members of the Russian Federation began to open representative offices abroad, which they pronounced “embassies”.³³

By 2000 Russian regions had made more than 200 agreements with foreign partners, including sovereign states. Parts of these agreements were made within the framework of international agreements signed by Russia. The Ministry of Foreign Affairs of the Russian Federation tries to control this process: its representatives work in 20 members of the federation, and a coordination council for connections with the members of the federation was created in the main international establishment. Many of these agreements, however, were signed bypassing the Ministry of Foreign Affairs and infringed on the existing norms of international law. International relations between Russian regions and some federal states developed more intensively (separate lands of Germany concluded cooperation agreements in various spheres with many members of the Russian Federation). Relations with centralized states such as Italy and France are more difficult. Regionalization processes within the European Union largely promoted the development of international contacts with members of the Russian Federation in the 1990s.

The frontier regions of Russia have actively joined the system of international relations. The regions of Russia that have a common border with the countries of Central, Western, and Northern Europe have the best prospects for cross-border cooperation. These regions participate in international cooperation on the basis of agreements with similar territorial government bodies of neighboring states. Agreements are signed within the framework of available interstate agreements.³⁴ The development of partnerships with neighbors is promoted by an open, market-oriented economy, built up in many frontier regions. Cross-border cooperation involves transport, trade, ecology, new technologies, and education. Both the cooperation of Murmansk Oblast with the neighboring territories of Finland and Norway, and the cooperation of Kaliningrad Oblast with the boundary areas of Lithuania and Poland, developed according to such schemes. New opportunities have opened up for Kaliningrad Oblast in connection with the creation of the Neman cross-border union, which includes the boundary areas of Poland, Lithuania, and Belarus.

33 Often such “embassies” were opened in direct infringement of Russian legislation and of the norms of international law. For example, without coordination with the Russian Ministry of Foreign Affairs, a representative office of the Tver region was established in Cologne, Germany, by the decree of the governor of Tver on 20 May 1996. The office was created on the basis of an agreement on cooperation between the administration of the region and a German private company, that is on the basis of private law transaction. See *Mezhdunarodnaia zhizn'*, no. 11-12 (1997), p. 110.

34 Russia has signed agreements with Finland on cooperation with the Murmansk Oblast, the Republic of Karelia, the Leningrad Oblast, and St Petersburg; Russia has signed an agreement with Lithuania on cooperation in the economic and cultural development of Kaliningrad Oblast.

Reaching out and establishing oneself in the international arena is considered by the regional elites to be an effective method of political self-assertion at the international level – a trump in dialogue with the federal center. The regional representatives' striving for international engagement can be based on several motivations. It is possible to distinguish three motives that guided the leaders of various regions in developing in the international realm:

- The wish to obtain personal political capital;
- The wish to promote the interests of the region on the international arena;
- The wish to stand apart from the policy of the federal center or to oppose it.

These motives are often combined. Let's consider some practical examples. Foreign-policy activity as a method to gain personal and political capital played an important role in the political career of the mayor of Moscow, Yurii Luzhkov. His image as a politician of national importance began to improve the moment Luzhkov became seriously interested in the future of the Russian population in Crimea (Ukraine). Close contacts of the Moscow city government with the command of the Black Sea Fleet, and the help provided to seamen and the inhabitants of Sevastopol, all promoted the growth of the Moscow mayor's popularity long before he headed the Otechestvo (Fatherland) movement.

The foreign-policy factor also furthered the position of another regional leader – the governor of Primorskii Krai, Yevgenii Nazdratenko. One of the most challenging problems facing the Russian Far East is the illegal settling of Chinese and Korean immigrants in its territory.³⁵ In the 1990s the governor of the Primorskii Krai repeatedly and sharply criticized the international agreements with China that had been signed by Russia, and his administration regularly conducted raids in those areas where the migrants resided, deporting those who had no long-term registration. This policy, combined with a share of populism, received wide support from the local population; Nazdratenko was elected governor by an absolute majority of votes. It became possible for regional leaders to gain popularity by means of foreign-policy actions because the state abandoned some decisions on certain major foreign-policy problems, such as problems regarding the Russian population in former USSR republics, where the state lost control over migration processes.

For many regional leaders the development of the international space became a method of promoting the interests of the region. From the early 1990s on the Nizhnii Novgorod and Samara regions began to actively develop contacts with the external world. This policy supported the interests of the population and raised hopes that the regions might be opened up (up until the late 1980s Nizhnii

35 According to experts, about 5 million illegal migrants from Korea and China live in the Far East. See *Sotsial'no-politicheskii zhurnal*, no. 2 (1997), p. 15.

Novgorod and Samara had been closed to foreign citizens). It also established an image of the regional leaders as dynamic figures, interested in international contacts. The support given by the federal center, which considered both regions as pioneers in the development of the market from the very beginning of market reforms, also played an important role. Both regions, which also had good political and economic resources at their disposal, were quick to become two of the most attractive members of the Russian Federation (in the list of the regions most attractive for investment, published in the fall of 1999 by *Ekspert*, the Samara and Nizhnii Novgorod regions were rated seventh and tenth, respectively.³⁶

As mentioned, Samara Oblast was able to create favorable conditions for investors. Legislation that provided a guarantee for investors was adopted, and the region created its own gold and exchange reserves. In terms of direct foreign investments, the region takes fourth place in the Russian Federation, after the City of Moscow, Moscow Oblast and St Petersburg. By comparison, Nizhnii Novgorod Oblast is fourteenth. In the Saratov, Samara, and Moscow oblasts, and in the Republic of Tatarstan, regional land codes were adopted that allow the sale and purchase of land.

Some representatives of the regional elite used international activity as a way of expressing disagreement with the policy of the federal center. In December 2000 the mayor of Moscow, Yurii Luzhkov, reacted strongly to Russia's introduction of visa regulations for Georgians. On several occasions during international meetings, symposiums, conferences, and at round tables these regional heads make statements on international issues that openly contradicted Russia's foreign policy. In 1997, during the congress of the Turkish peoples in Istanbul, representatives of the republics of Bashkortostan, Sakha (Yakutia), Tatarstan, Khakassia, Chuvashia, and Tuva supported the final document on declaring the state formation of the Turkish republic of Northern Cyprus as illegal. The "independent" foreign policy of some federation members can result in strained relations between Russia and foreign states.

Similar actions, characteristic of the heads of some of the Northern Caucasus republics, were particularly clear at the beginning of the second Chechnya war. Only one leader, president Aushev of Ingushetia, spoke out openly against a military approach to the Chechen problem. In March 2000 in Maikop the meeting of the coordination council of public movements in Northern Caucasus was held, and official representatives of the region's national republics took part. The participants at the meeting called upon international organizations to open representations in the Northern Caucasus.

Some republics of the Northern Caucasus have bypassed the Russian Ministry of Foreign Affairs and developed bilateral relationships with countries

36 "Investitsionnyi reiting rossiiskikh regionov. 1997-1998 gody" (Investment rating of Russian regions, 1997-1998). *Ekspert*, no. 39 (1999).

with which up till then Russia had had intense relations. The Republic of Adygeya is a typical example. Even before an official meeting between President Putin and the Higher Peoples Committee for External Relations and International Cooperation of Libya was held in July 2000 in the Kremlin, Adygeya began to develop bilateral contacts with Libya. On the initiative of the president, A. Dsharimov, an international conference was held in Adygeya, with participation of the heads of the Northern Caucasus republics. During this conference, the prospects of cooperation with Libya were discussed. In the meantime, a branch of the Libyan non-state organization Islamic Call has opened a branch in Adygeya. Many international experts consider the Islamic Call a center for the propagation of Islamic fundamentalism in the world.

Until the summer of 1999 the public organization Caucasus Center was operative in Dagestan. This center disseminated the ideas of vahabizm (a puritanical movement of Islam) in the republic; its sponsor was Saudi Arabia. With support of those states where radical forms of Islam are widespread, territorial foundations were created with the developed infrastructure – Vahhabi enclaves – in the territory of Dagestan. Similar support from Islamic states is formally rendered within programs of international cooperation under the cover of cultural and national revival. The opposition of the regional elite of the Northern Caucasus region to the federal center resulted in tragic consequences and grew into an extended military operation. It is, however, necessary to take into account that latent, and at times open, confrontation in relations with the federal center is only supported by part of the national elite. We were able to confirm this during a conference on the problems of regional security and regional economic development in the Northern Caucasus (Rostov, June 2000), where the views of representatives of these two camps were openly conflicted.

The foreign-policy demarches of Krasnodar governor N. Kondratenko are of extraordinary *ideological character*. Kondratenko, a communist, is an active supporter of former Serbian president Slobodan Milosevic and was one of few politicians invited by Milosevic to observe the presidential elections in the fall of 2000. Kondratenko repeatedly demonstrated his support for the former Serbian leader. A bellicose nationalism unites both politicians.

We have considered some of the problems connected with the activity of regional elites in the sphere of international contacts. We shall now investigate the attitude of the regional elite to foreign economic cooperation.

The regions' foreign economic policy

For the last decade the economic dependence of Russia on foreign economic relations has increased considerably. The modern Russian economy, according to experts, is much more integrated in global economic relations than it was in the Soviet epoch.³⁷ This integration became possible with the liberalization of foreign trade activities and increased contacts of the Russian regions with foreign partners.

Although the share of industrial production destined for the external market amounted to an average of only between 2% and 4% of the total regional industrial production in the early 1990s, this percentage had grown considerably by the end of the 1990s (to 20%). However, there are great differences between the 89 regions of the federation. Ten regions produce 50% of Russia's export goods, while most foreign imports are absorbed by only 20 Russian regions. A large part of foreign investments (85%) is concentrated in 15 regions of the Russian Federation.

Ten years after the beginning of the Russian reforms hardly any Russian politicians (except national extremists) and business people doubt that the Russian economy should be open. The main discussion revolves around the question of where the limits to openness should be drawn. We tried to find out what strategy the elites select with what resources – external or internal – they connect the prospects of the economic development of their territories, and what they think about an open regional economy. The interviews show that the attitude of the representatives of the elite layer to these issues is determined primarily by a region's resources. In those Russian regions that have significant

³⁷ *Strategiia dlia Rossii: Povestka dnia dlia Presidenta – 2000* (Strategy for Russia: agenda for the President – 2000). Moscow: Vagrius, 2000, p. 30.

economic resources the elites give priority to their own resources. In those regions that have limited opportunities, priority is given to external investments. However, in both cases the regional elites privilege openness. Most respondents said internal and external resources were complementary (more than half the participants in this study in the regions were of this opinion). The supporters of openness believe that internal investments are an important stimulus to external ones and that consequently foreign investors are only attracted to a region when it conducts an active investment policy.³⁸

The fact that regional elites recognize that their economies need both internal Russian and foreign investments shows that they have come to comprehend the basic principles of economic cooperation. A valid argument in favor of this combined strategy is an investment mechanism common to Russia: most Russian investors invest in projects with a short payoff period, while large, long-term projects are undertaken with by foreign investments. Given the economic situation in the Russian regions, the strategy seems justified and likely to produce positive results.

The interviews with representatives of the regional elite shows that it's the elite's various groups have various attitudes to external, and especially foreign, investments. The most consistent supporters of an expansion of external investments are the administrations of the regions. The interest of the political and administrative elite in investments is clear: success in the economic sphere can quickly be converted into political capital, increasing the popularity of the heads and their teams. In addition, a successful economic project always opens new opportunities of additional financial resources, creating new jobs and solving social problems (as investment projects are frequently started simultaneously with new social programs). The respondents recognized that the level of international economic cooperation in a region depends, in many respects, on the head. Investments, according to the general opinion, go first to those federation members where the situation is stable, where there is a well-functioning administrative machine, and where the head has complete supervision of the financial resources. Investors agree: they are willing to invest only in those regions that have predictable politicians with a good understanding of business at the head.

The *proprietors* – the representatives of another elite group – have a more ambiguous opinion towards external and foreign investments. They frequently consider external investments as a possible but not always desirable component in a region's economic development. Most representatives of this group are inclined to rely on internal resources. However, the proprietors' constrained

38 Lapina, N. and A. Chirikova. *Regional'nye elity i regional'nye prozessy: ekonomika, politika, vlast'. Analiticheskii doklad* (Regional elites and regional processes: economy, politics, power. An analytical report). Moscow 1999, p. 27.

attitude to foreign investors does not equate to a downright rejection of foreign investments. They specifically reject unequal partnerships, partnerships in which the foreign partner alone determines the conditions of the partnership. Our study shows that Russian proprietors tend not only to mistrust their Western partners but their Russian colleagues as well. This mistrust is justified. Today, Russia has become a center that attracts not only honest investors, but also international financial speculators wanting to make a fast buck. Those Russian proprietors who have real financial and industrial resources would like to have contacts with reliable foreign partners and would like their relations with foreign investors to be civilized and rigidly regulated by the law. Quite probably, such reasonable arguments against Western investors camouflage a fear of strong competitors.

In the 1990s international economic cooperation shifted to the regional level and to separate enterprises, becoming an important factor in the life of the Russian regions. The number of participants of foreign trade activities has also grown. Similar processes occurred at the same time in the countries of Western Europe. Their logic differed essentially, however. European countries and regions became involved in the sphere of foreign trade activities within the framework of the policy conducted by the European Economic Union. In Russia the regionalization of foreign trade activities became possible because of the liquidation of state monopoly in this sphere. Today, from our point of view, the challenge facing the federal center is not to destroy contacts that already exist and bring in benefit, but to “complete” the establishment of international economic cooperation by developing essential, and at present still absent, laws and rules, which would promote the inflow of foreign investments into Russia.

Regional lobbying and the federal center

As well as internal regional resources and their presence on the international arena, the regional elites have one more lever of influence, namely the protection and promotion of regional interests in confronting the federal center, in other words, *regional lobbying*.

There are various mechanisms that can be used to uphold regional interests and channels for lobbying. Whether or not a region manages to effectively lobby its interests depends on its economic potential, its political weight and representation, the role of local government within the regional power structures, and its connections to structures of power and leading Moscow politicians. The methods of protecting regional interests also vary; they can be individual and/or collective. The most widespread mechanisms of lobbying of regional interests include *lobbying of individual decisions through key figures in Russian politics, and upholding regional interests through the legislative and executive authority*. The most effective lobbying channel in present-day Russia is through building up relations with prominent Moscow politicians. The heads of subsidized territories that are dependent on the center establish personal contacts with the authorities in Moscow in order to acquire state orders, subsidies, grants, and transfers for the region. Leaders of the regions seeking an independent way out of the economic crisis also use this method. Their purpose, however, is different. They seek the support of the federal center in order to realize their specific way of dealing with their specific problems.

Another mechanism for upholding the interests of a territory is by association to a community. Many prominent Moscow politicians come from the provinces. They tend to maintain relationships with local elites, and help their

“small motherland”. In the Russian political establishment there are, for example, representatives of the Ural regions and Krasnodar Krai. Since the spring of 1996 politicians from the Volga region have played an active role in federal power structures. Among these are S. Kirienko, the former prime minister and now one of the seven plenipotentiary representatives of Russian president in the Volga Federal District, and B. Nemtsov, the former governor of Nizhnii Novgorod and now leader of a faction called the Union of the Right Forces in the State Duma. Today, the most powerful community in Moscow political circles is the St Petersburg community. During the 1990s the interests of St Petersburg were actively supported by A. Chubais, head of the group of young liberal economists. With the election of Putin, the representation of this second capital in the Russian establishment has sharply increased, and the Russian government now includes three vice-premiers and many ministers from St Petersburg. Fifteen of the one hundred leading politicians in Russia in July 2000 came from St Petersburg.

Regional interests can be represented by “vertical” elite groups, which include segments of the federal and regional elite. These groups include prominent Moscow politicians who represent interests in the structures of executive and/or legislative power and representatives of power and economic elites of the region. The most powerful regional political alliance is possibly the union of the power elite of Tyumen Oblast, with the management of RAO “Gazprom” and oil companies working in the region, with the Ministry of Energy, and with the deputy group “Regions of Russia”. The personal structure of elite groups can vary according to the structure of the political and economic elites, but the basic mechanisms of their formation remain the same.

Before relations between the center and the regions were formalized by agreements, the interaction between them was established on the basis of personal connections between Russian President Boris Yeltsin, his entourage, and heads of the members of the federation. After agreements were signed, the significance of such personal contacts has in no way diminished. Until now the main problem of the local elites has been in being admitted to the Kremlin. From the very start of the Russian reforms the republican leaders and also some of the heads of the ethnic Russian regions (especially the Samara and Nizhnii Novgorod oblasts) had the best chances of advancing their interests through personal, non-official contacts. We explain this in more detail below. Those heads who did not manage to establish personal contacts with Yeltsin acted through his nearest associates. The position of power held by Primorskii Krai Governor Ye. Nazdratenko has often been attributed to his connections with former vice-prime minister of the Russian government, Oleg Soskovets, and to the head of the president’s security service, A. Korzhakov. Through these Moscow politicians Nazdratenko managed to acquire privileges for his territory, and all attempts to perform government inspections in Primorskii Krai are avoided.

The election of Putin as president of Russia brought about serious changes in the relations between the Kremlin and the regional leaders. Yeltsin understood well that it was only the support of the governors and national leaders that allowed him to keep his office in 1993 and 1996. In such unpredictable times the first Russian president always remembered the support offered him by the regional heads, and he was to some extent their hostage. In this respect the Putin's position differs sharply. Putin was elected with mass support from the population and apparently does not display gratitude to the governors and presidents, who, in many respects, ensured his victory in the provinces. As an astute and pragmatic politician, however, Putin has recognized the need to build relations with the regional leaders. It is no coincidence that the president visited many Russian regions, meeting the most influential regional leaders there, on the eve of the vote for federal laws in the State Duma.

Serious changes are taking place in the redistribution of power between government bodies and these changes are influencing the relations between the center and the regions. With an increase in the political role of the president, the positions of presidential administration have become stronger.³⁹

Traditionally, the government has played an active role in the formation of relations between the center and the regions. In the governments lead by Yevgenii Primakov, Sergei Kirienko, and S. Stepashin there were many representatives of the regional elite. On the initiative of Primakov, the government presidium, with the ministers, started to include the heads of interregional associations in economic cooperation. With Putin as president, the government is obviously losing its political functions, and Prime Minister M. Kasianov is often looked on as only technically a prime minister. Apart from the "St Petersburg group" in the present government, there is only one person from the provinces who was not known before in Moscow political circles – Energy Minister A. Gavrin, a former mayor of Kagalym.

The *executive branches of power* form another channel for lobbying regional interests. A lobby-group of important cities engaged in trade, for example, managed in the late 1990s to have the state tax service introduce a sales tax favorable to large trade cities and, above all, to Moscow (a law that will, however, be abolished again by the year 2001). The excise duty on petroleum is frequently linked to the activities of influential companies and oil- and gas-rich regions. For example, Yurii Shafranik, the former Minister of Fuel and Energy actively lobbied in the interests of the oil extracting regions while he was head of Tyumen Oblast.

39 In the presidential administration there is a main territorial department, which is responsible for the relations with the regions and supervises the activity of the president's representatives and the local government. S. Samoilov is head of this department. The presidential administration became one of the initiators of the new federal policy, and played the leading role in the preparation of the presidential bills, concerning the system of relations between the Federation and its entities.

His name is linked to articles in the federal law on the extraction of mineral wealth, according to which the regions were supposed to get support for the extraction of their natural resources. During our research we repeatedly found examples of the lobby activities of regional leaders. It is well known that every time the federal center plans measures to reduce the oil extractors' income, the heads of the oil industry from the Russian regions go to Moscow to defend the interests of their territories.

The most valuable asset a territory can have for exerting influence on political decisions is its "own" executive structure. Until now the regions of the Far North have worked directly with the State Committee for the Development of the North. In the new government structure this department has been closed. The interests of those regions extracting oil are partly protected by the Ministry of Energy. All regions, without exception, try to find channels to influence the Ministry of Finance.

Regional lobby groups also attempt to influence legislative power. The participation of regional elites and their representatives in law-making processes allows them to encourage the adoption of laws favorable to separate territories and groups of territories. In the State Duma the regions are represented, first, by their deputies elected in districts by a majority. According to some evaluations, the lower chamber of parliament includes up to 96 representatives of regional and local governments. Regional interests unite these representatives into an independent deputy group. The fifth Duma (1993-1995) had the "New regional policy" group, the sixth Duma had the "Russian regions" group, and in the new Duma there is the "Regions of Russia" group, headed by influential politician Oleg Morozov.

Regional lobbying occurs through various deputies, factions, and committees of the State Duma. The most active lobby faction, according to the experts interviewed, is the LDPR (Liberal Democratic Party of Russia) faction, which works with various interest groups. The pro-government "Edinstvo" (Unity) faction is a powerful lobby faction in the new Duma. It is closely linked to the regions, especially where communists (the CPRF faction) are in power. There is also an interfaction group of Siberian deputies in the State Duma. In the lower chamber of parliament several committees are investigating problems in the regions, among them the Committee for Problems of the North and Far East (whose chairman is a deputy from Karelia, V. Pivnenko) and the Committee for Issues of the Federation and Regional Policy (whose chairman is a deputy from Rostov Oblast, L. Ivanchenko). In the Russian parliament the regional lobby is well represented and is, as a whole, much more organized than the industry lobby group.

In the lower chamber of parliament, regional and industry interests are represented side by side with political interests. The upper chamber of parliament – the Federation Council – consists of heads of the executive and legislative author-

ities from the Russian regions and directly expresses the interests of the members of the federation through their political elites. Using the Federation Council, regional elites could until now influence those decisions of the State Duma that did not correspond to their interests. The Federation Council gave its members a springboard to power through direct contacts with the federal elite and also promoted the regional leaders' popularity through the mass media on a national scale.

With the state-administrative reform, however, much has begun to change. In August 2000 the Law On the Organization of the Council of the Federation was adopted. According to this law, the heads of the regional executive and representative authorities should leave the upper chamber of parliament no later than 1 January 2002. The new Federation Council will be formed by representatives of the executive authority and deputies elected by regional legislative assemblies or parliaments. Thus, the law deprives the heads of the regions of some of their former authority and removes them from the upper echelon of state power.

The creation of a new political structure, the State Council, is now being discussed in the higher echelons of power; the likely objective is to compensate for any political damage to the heads of federation members. An advisory body is planned, which, the presidential administration believes, will include some of the functions of the present Federation Council. As the advisory body will be formed by presidential decree, its responsibilities and structure will be determined by Putin. The State Council will include all heads of the regions.

Changes to the Federation Council and the possible creation of a State Council are not the only innovations in the Russian government. As mentioned above, seven *federal districts* have been created. In theory, representatives of the president in these districts will control the regional branches of the federal government bodies. In actuality, they will supervise the activities of the heads of the regional federation members. The decision to create this new center of power was received ambiguously. The leaders of strong regions see the creation of federal districts as a restriction to their own authority. Small and poor federation members who until now have not managed to promote their interests in Moscow look to creation of the districts as means by which they will be heard. This is especially the case among the elites of some of the republics of the Northern Caucasus. In their opinion the creation of the Southern Federal District in Northern Caucasus will facilitate solutions to problems like environmental protection and migration flows that, until now, could not be agreed upon in the region's republics. But no matter how the regional leaders regard the creation of federal districts, the new structure of power will undoubtedly turn into a new channel for regional lobbying.

The so-called *interregional associations of economic cooperation* provide another channel of lobbying regional interests. In 1999 there were eight interregional economic associations: the North West, Central Russia, the Black Earth, the Greater Volga, Northern Caucasus, the Greater Urals, the Siberian Agreement, and the Far

Eastern associations. According to Russian analysts,⁴⁰ the political activity of these associations, in addition to interregional cooperation as such, consists in the lobbying of regional interests at the federal level. On the initiative of the associations the government has adopted a number of decrees, mainly in the agrarian and military sectors. Prime ministers, vice-prime ministers, and ministers are often invited to association meetings by the heads.

The strongest regional associations are the Greater Urals and Siberian Agreement associations. During the crisis, they started to play an independent political role. The Siberian Agreement, in particular, delivered political-economic ultimatums at least three or four times to the Russian president and the federal government, demanding budgetary concessions and a redistribution of property.⁴¹

A good understanding of the corporate regional alliance in modern Russia has advanced considerably. For example, regions whose economy is oriented towards export are bound together by common interests. Coalitions of economic and administrative political structures, which are being formed at this level, have a specific region-industry character. During the reform years, these territories considerably strengthened their positions and have turned into powerful lobbyists. They act not only for the expansion of economic independence, but also for a more loyal policy towards exporters and for more favorable transport fees. Until now they have always helped form the state's finance policy. Regions with strong commerce and industry have significant economic and political weight. Regions with closed economies try to have the reverse effect on the center's policy. Their primary task is to obtain protective measures, privileges, subsidies, and grants.

During the reform years, the regions have generated a powerful group of interests by exerting influence on "big politics". They have built an effective system of representation of their interests at the federal center. Changes of power at the federal level may modify their regular practice. But there is no doubt that lobbying as a means of upholding regional group interests will not disappear, even if the channels and objects of lobbying may change.

A cardinal reorganization of the lobbying channels that have formed during the last 10 years to promote the interests of regional elites at the federal level is now taking place. This reorganization is linked to the end of the Yeltsin era. It is still unclear if the regional leaders will be able to maintain their previously high level of influence on federal power. It is obvious, however, that the Kremlin is interested in shifting political weight from the regional leaders to the center and

40 Klimanov, V. *Mezhregional'noe sotrudnichestvo. Regiony Rossii v 1998 godu.* (Interregional cooperation. Regions of Russia in 1998.) Moscow 1999.

41 Ryzhkov, V. "Strannaia federatsiia: problemy i perspektivy razvitiia federalizma v Rossii." (A strange federation: problems and prospects of development of federalism in Russia) *Politiia*, no. 4 (1999-2000), p. 96.

will try to make regional leaders more compliant through legislative procedures. If this succeeds, it will only last for a short time. As a whole, the regional leaders will not accept a peripheral status and will lead an open or tacit struggle to strengthen their power at the center, using different political tactics. We may assume, however, that this struggle will not be of an extremist character. Rather, it will be a lingering one, despite the aspirations of the president and his team to accomplish dynamic reforms of power in Russia.

Influential regions: what is the basis of regional authority in relation to the center?

The level of regional influence on the center varies and is constantly changing, according to the center's problems. There is no doubt that the accession of new leaders to power can change the regions' level of influence. The present situation is described in this chapter.

One deciding factor of a region's strength is the amount of taxes it contributes to the federal budget. This amount differs greatly from one region to another. There are 10 leading regions that, in 1998, provided in aggregate more than 53% of the revenue for the consolidated fund and more than 63% for the federal budgets (Khanty-Mansi Autonomous Okrug, the Moscow, Sverdlovsk, Samara, Perm, and Nizhnii Novgorod oblasts and the Tatarstan and Bashkortostan republics).⁴²

The principal suppliers of money to the federal budget are the large capitals (Moscow and St Petersburg) and the regions that have raw materials. These regions are under the close scrutiny of the federal center, and the federal center cannot ignore their political views. The political weight of a region – the number of electors living in it – also plays an important role parallel to the region's economic weight. It is no coincidence that all the regions with big populations are under the special control of the federal center. Further, the political weight and

⁴² Zubarevich, N. and A. Treivish. "Sotsial'no-ekonomicheskoe polozhenie regionov" (Social economic situation of the regions). In *Regiony Rossii v 1998 godu* (Regions of Russia in 1998). Moscow 1999, p. 100.

level of authority of a region's leader, its governor, plays an important role in determining the region's level of influence on the center. The federal power cannot ignore Yurii Luzhkov, Vladimir Yakovlev, İntimer Shaimiev, and others who have a high level of authority among the population of the regions and enjoy a high informal status among other regional leaders.

Until now the Luzhkov team has held a strong position in the Federation Council. Further, Luzhkov has broad connections with the regions outside the council and is highly respected by the senators. The first republican president of Tatarstan, Shaimiev, heads one of the economically strongest regions of the federation with the second largest ethnic group; arguably, he also heads the strongest team. Bashkortostan President Murtaza Rakhimov, Ruslan Aushev, and other republican leaders whose positions cannot be ignored by the center often support Shaimiev. This probably explains Putin's Tatarstan visit, which took place when the conflict between the governors and the president concerning a package of decrees on strengthening the vertical power became especially evident. However, Putin's aim to win over the Tatar and Bashkir leaders was unsuccessful. Shaimiev made no concessions, not even in exchange for promises to let him run for the presidency of Tatarstan for a third term. He made his position clear to the center, saying it was necessary to put earlier agreements on the differentiation of power between the center and federation members in order before he would accept decrees to strengthen the vertical power and align regional legislation with federal legislation. His personal authority allowed him to make such a strong stand towards the Kremlin.

Perm Governor Gennadii Igumnov, Sverdlovsk Governor Eduard Rossel, Samara Governor Konstantin Titov, Kemerovo Governor Aman Tuleev, and Novgorod Governor Mikhail Prusak have a high level of influence on the federal center, as have republican leaders and leaders of metropolitan regions.

Thus, the level of a region's influence on the federal center is determined by: *its economic situation and its contribution to the federal budget, its population, the political influence of its leader, and the level of the leader's loyalty towards the center.*

Dmitrii Aiatskov, Vladimir Tchub, and Vladimir Yakovlev are particularly loyal towards the center. However, it is difficult to define the reasons for their loyalty and to determine how their positions reflect their real opinions. We may assume, for example, that their loyalty to the center is often determined by the number of federal transfers received by the regions from federal ministries and by the terms of such transfers.⁴³

Hence, the level of a region's influence on the center is determined, on the one hand, by the presence or absence of a powerful lobby, for example, in the

43 Smirniagin, L. "Transferty v sisteme vzaimootnoshenii mezhdru tsentrom i regionami" (Transfers in the system of relations between the center and the regions). *EWI Rossiiskii regional'nyi biulleten'*, no.1 (1999).

State Duma or the Federation Council and, on the other hand, by the region's economic, political, and demographic potential and the political weight of the regional governor/president at the federal level.

During the presidency of Boris Yeltsin and his team, influential groups of regions formed that included Sakha (Yakutia) and the Republic of Komi. We can now expect that the number of influential regions will vary, partly in accordance to the individual regions' relations with the new authority. The new federal team will have to take into account the economically strong regions and the "old school" authoritative regional leaders, in particular the leaders of the republics. The Kremlin may try to replace some of the authoritative leaders with individuals from the center ("controlled" governors) in the governorship elections of 2000-2001. However, as new structures of influence develop, they will be based on the existing informal system of leadership among the regional elites. Any changes to these criteria of influence will therefore occur slowly and inconsistently.

The policy of “new federalism” and the future of regional elites

In the 1990s the Russian executive authority repeatedly tried to redistribute power between the center and the regions by changing governments. Until the year 2000, however, all attempts of the federal authority to strengthen the centralizing component in politics and to establish real control over regional elites failed. The new Russian president began his activity with an administrative reform at the state level and, in particular, with a change in the system of relations between the center and the regions. The “new federalism” of the Russian government consists of two parts.

First, changes in the structure of the Federation Council, accompanied by a reduction of the status of regional heads and the upper chamber as a whole. This has been discussed above. *Second*, a strengthening of the vertical of power, of which the basic elements are:

- The creation of federal districts and the creation of the posts of regional plenipotentiary presidential representatives.
- The introduction of the “federal interference” institute, which allows the president to dismiss heads of the regions. According to the amendments to the law On the General Principles of Organization of Legislative and Executive Government Bodies (adopted in August 2000), regional leaders, deprived of parliamentary immunity, can be temporarily discharged; they can also be dismissed by the Russian president on the basis of charges brought forward by judicial bodies (in the first instance) or by the Procurator-General (as a last instance). The new wording of the law also provides the federal center with a mechanism for controlling the

legitimacy of normative acts of the members of the federation. In case of infringement by the regional parliament or legislative assemblies of the federal legislation the president has the right to dismiss this body.

- The establishment of state control over local government bodies. In essence, the amendments to the law On the General Principles of Organization of Local Self-Government in the Russian Federation (adopted in August 2000) mean that a municipal representative body can be dissolved, and a head of a municipal formation can be dismissed in cases of judicially recognized infringements. Initiators of this procedure can be a legislative assembly or a parliament of the region, the head of the federation subject, or the president of the Russian Federation (who has the right to demote both the heads of regional administrations and the head of the capital city within a region).

According to its initiators, the reform of federal relations will strengthen the country's manageability, put an end to the absolute power of local rulers, and create a common legal space within the Russian Federation. In this section we clarify how new federalism may influence the positions of regional heads.

First, the reform of federal relations means a *depolitization of regional elites*. Henceforth, heads of the regions will cease to sit in the upper chamber of parliament, they will lose the right to decide on matters of "high politics", and their activities will be confined to the economic and social problems of their territories. Many governors have declared (and not without modesty): "We are not politicians, but managers." This statement will most likely become entrenched in the new structures of power. The structures of power have not been consolidated. However, a new federal institution has been erected in the regions: the plenipotentiary representatives of the president in the federal districts. Will these federal agents be able to turn into influential, respectful politicians? Time will tell. One thing is obvious: with the formation of federal districts the power of the head of the region has been restricted and will be controlled by federal bodies to a greater degree than before.

With the loss of parliamentary immunity the regional president or governor becomes more vulnerable from a legal point of view, and the right of the Russian president to discharge the elected heads makes the heads even more dependent on the federal center. Some regional heads have already received initial warnings from the central authority.⁴⁴ An example of this is the criminal case filed by a number of companies against the head of Omsk Oblast, L. Polezhaev. The governor was accused of evading the settlement of certain accounts. Taking into

44 During discussion in the State Duma on the package of the presidential bills, a representative of the president, A. Kotenkov, declared, that if the deputy immunity were removed, 16 governors would find themselves in prison. See *EWI Rossiiskii regional'nyi biulleten'*, July 17, 2000.

account that, according to Ministry of Finance data, 40 regions can at present not meet their creditor obligations, Polezhaev's case may open up the list of criminal cases against the heads of the regions. There is evidence to suggest that the federal center wants to demonstrate to the regional elites how the new laws can be applied in practice.

The new federalism policy consists not only of a series of measures directed towards changing the relations between the federation and its members. It also assumes a *more active presence of the state in the economy*. The Russian government has already begun a new economic policy, as shown by the amendments to the tax and budget codes adopted by the parliament. These changes affect the tax rates and the distribution of income between the center and the regions. Until now the central authority has developed its financial policy towards the regions by using principles of budget federalism. Drawing up the budget for 1999, the regions received a favorable proportion of federal funds (49% remained in the regions, 51% went to the center). The new financial policy indicates that Moscow aspires to return to the centralized system of distributing financial assets, promising to return the funds to the regions while keeping the funds under the control of the center. According to the amendments to the tax code, the proportion of the share of federal taxes remaining in the regions will be reduced (members of the federation will lose sources of income, such as value-added tax [VAT] and the turnover taxes of enterprises), and the funds in the federal budget and regional budgets will be distributed in new proportions (30:70). The innovations to taxation will have the most serious effect on the budgets of donor regions. The governor of Krasnoyarsk Krai, A. Lebed, believes his region will lose 30% of its previous budget as a result of the reform. Moscow mayor Yurii Luzhkov sharply criticized the tax code in the Federation Council, arguing that with the new distribution of financial assets between the center and the regions the donor members will lose any incentive to live without subsidies. The Moscow mayor also has cause for dissatisfaction. In the near future Moscow is likely to lose an important source of its financial earnings, namely the taxes from Russia's largest (mainly oil- and gas extracting) companies that work all over the country but pay their taxes at their place of registration, i.e. in Moscow. If the parliament accepts the additions to the Law on the Tax on the Property of Enterprises, the city of Moscow will lose a considerable chunk of its revenue.

However, there are regional heads that are happy with Putin's innovations. These are the economically weak members of the Russian Federation. They expect to improve their financial position at the expense of the centralized redistribution of funds in the country. As a rule, parochial interests are put forward through the rhetoric and reasoning that it is necessary to develop the economy in the entire territory of the Russian Federation, rather than only in individual regions.

Strengthening financial levers is only one direction the state is taking. The central authority also aspires to concentrate all available economic resources in its

hands. To do this the state has undertaken an inventory of its property and has strengthened its role in the largest Russian companies (first, in the natural monopolies, such as RAO EES [United Energy Systems] and RAO Gazprom) of which it is a co-owner. With Putin's coming to power, the image of an authority that aspires to establish strict control over the economic activity within the Russian political space has begun to emerge. A possible reflection of this the fact that the levels of influence of the officials supervising economic departments have risen sharply.

Many of the economic measures of the central authority are reasonable and timely. However, the notion that the state can handle the financial assets and manage large companies more effectively than representatives of private businesses causes serious doubts. Besides, it is obvious that in present Russian conditions all measures directed towards strengthening the state's regulation of the economy will be accompanied by an increase in the role and influence of the official machine and hence in the arbitrariness of officials.

Another serious consequence of the new federal policy will be the changes within the regional elite. As noted above, the consolidation of the regional elites has increased over the past few years. This is clearly visible in the stable regions that have a strong and influential government and in the activity in the Federation Council, where consolidated voting on major political decisions and bills has been observed more often. Certainly, consolidation does not mean complete consensus. Among members of the Russian Federation there are huge social, economic, and political variations, and it is not surprising that the regional elites rarely agree with one another. A certain mutual understanding is, nevertheless, evident. In the new political situation, with the center strengthening its pressure on the periphery, a serious split in the regional elite is noticeable. As mentioned, various regions have reacted differently to tax, administrative, and other innovations by the federal center. Here we would like to emphasize that the direction the federal authorities are taking towards increased centralization has revealed that many regional leaders aspire to agree individually with the center. Further, as a result of their experience in management, representatives of the regional elite are fully aware of how important political loyalty is in relations with the federal center.

In this uneasy situation some regional politicians hope to acquire capital, probably in order to get promoted. Until now, however, few regional leaders who have gained favor with the federal center have been promoted to higher posts. The speaker of the legislative assembly of the Khanty-Mansi Autonomous Okrug, S. Sobianin, who became a deputy representative of the president in the Ural Federal District, is an exception. All in all, the new federal policy has provoked some new battles in the regions. The head of Komi Republic, Yurii Spiridonov, has spoken out against a centralization of the economy. He characterized the policy of the Russian government as "robbery" of the provinces.⁴⁵ Opposition between the

head of the republic and the federal center has resulted in a split of the regional elites, as the speaker of the republican parliament, V. Torlopov, supports the Kremlin's policy. We think that situations similar to the one in the Republic of Komi will probably multiply, and the mood of the regional elites will be determined by which of their interests are affected by the Moscow policy.

During a debate in the upper and lower chambers of parliament concerning the federal legislation, the following question was raised by many observers and experts: Why do regional heads not resist the new policy of the center, and why are they inclined to accept laws that obviously restrain their interests? We could not help but ask this question ourselves.

The events of the summer of 2000 confirmed one fact: despite the importance and influence of the regional elites, they still have no political resource comparable to the political resources of the center. The representatives from the regions have no party or movement that unites them. Attempts at creating such a party failed with Otechestvo during the parliamentary elections of 1999. None of the governors signed the Russia at the Crossroads appeal initiated by prominent Russian businessman B. Berezovskii (August 2000). This suggests that the heads of the members of the federation do not want to aggravate the federal center. Having been brought up within the Soviet system, they know well that such "rebellious moods" are usually short-lived. The regional representatives probably also expect that the authority, like its predecessors, will soon get exhausted. Others, as already mentioned, hope to agree with the center individually.

The flexibility of the regional heads can be explained otherwise. Each leader alone knows if some of his actions might lead to his prosecution by the federal center, and those affected will wish to guard against such prosecution. And more importantly, in almost half the federation members, elections of the heads of the executive authority are coming up in the fall/winter of 2000. The governors are anxious about their election campaigns and are seeking sponsors and political allies. Thus, scandals involving the center would not only be unprofitable but could have dangerous consequences.

The new federalism policy limits the competencies of the regional representatives but does not remove the regional elites as a group. Moreover, it is extremely unlikely that the authority at the center would ever be interested in the elimination of the regional elites, as without these it could not effectively govern the country.

Regional elites and political scenarios for the development of power relations

Several scenarios could develop in Russia's political future with regard to the center's attempt to deprive the regional leaders of their former influence. These will depend on the political behavior and the willingness to compromise of the federal and regional political leaders and on the level of support given to the regional leaders by local elites and populations. Even if compromises are made, a variety of events, dramatic collisions, and latent conflicts will be inevitable. Regional leaders are likely to seek and find methods to protect themselves from attempts by the center to assume all power and influence, both in the legal field and beyond. It is probable that the regional leaders' knowledge of the regions and the support for the leaders by the populations and local elites will help them succeed. The distant Moscow and federal authority, as the representative data of sociological studies shows, are mistrusted by elites and the populations of the regions.⁴⁶ Although over half the representatives of the regional elite interviewed in June 2000 in two of the regions considered the steps to put everything in order justified and timely, they could, however, not always fully agree with the methods chosen by the center in relation to the members of the Russian Federation.

The results of our studies show that, during the past few years, the requirements of the regional elites to regulate the financial relations between the center and the regions have become more specific. Problems linked to the redistribution of property and the legal arrangements of property rights have become more acute. The regions have become more insistent in their requests that federal legislation be regulated. Yet the center's demands on the regions are a reflection of

46 DeBardleben, J. "Otnoshenie k vlasti v regionakh Rossii" (Attitudes towards authority in the regions of Russia). *Sotsis*, no. 6 (2000), p. 90.

the regions' demands on the center. As a result, *the regions and the center share similar visions on the changes that should take place but follow various directions in translating these into action*. This testifies to the complexity of problems arising between the federal and regional levels.

Below we offer three probable scenarios of the development of Russian federalism and the place of regional elites in this process:

Scenario 1: "The winner takes all"

According to this scenario, the Russian president would complete his moves to strengthen the vertical power and would also strengthen the position of the state in all spheres of public life, including the economy. In this case Russia would have "obedient" regions, which would live according to the requirements and rules established by the center. The realization of this scenario would mean that the regional authorities would not only lose their former political weight, but would also lose significant economic and administrative advantages. This scenario presupposes a growing interference of the state in the economy and an increase in state control over foreign trade.

This scenario would bring Russia advantages but not to the extent predicted by some Kremlin analysts and political observers. Certainly, it would restrict the rights of the "regional barons" and would increase control of the center over processes in the territories (including the federal budget and the redistribution of property for the benefit of the federation). It would, however, transform the governors into "slaves", deprived of the freedom to act and to maneuver as necessary to the management of their territories. Regional leaders would either refuse initiatives that would deprive them of their freedom, or they would be repeatedly compelled to break the laws and instructions of the center in order to solve basic problems in the provinces. This scenario constitutes a "Soviet variant" that has already been accomplished once and that did not produce any positive results for Russia.

This scenario has serious economic, social, and political limitations: The first limitation: It requires a strong state, capable of conducting effective policy and of obtaining economic and other resources. There exists no such state in Russia today, and strengthening only the instruments of state force by intensifying persecutions can hardly be considered an attribute for increased state efficiency. The modern state does not have enough economic resources to realize this scenario. A large part of federal property belongs to the regions and municipalities. The financial resources of the state, even with the second part of the tax code, are not sufficient to strengthen the center's position significantly vis-à-vis the members of the federation. And most importantly, even if state interference did remove some disparities of regional development, the state would fail to overcome the

fragmentation of the economic space, which is too far advanced to be turned around, and which can be rationally justified.

The second limitation: This scenario may well lack the political and social backing it needs to become a reality. In the summer of 2000 the State Duma supported the Russian president in his dispute with the Federation Council. The deputy corps, however, can hardly be considered an unconditional ally of the Kremlin. The present parliament is subordinate to the president, but if the deputies ever felt threatened by his policy, they would try to distance themselves from the head of the state. The president can expect some support for his reforms from depoliticized force structures and liberal reformers coming back into big politics. But will the loyalty of liberal reformers to the head of the state endure? The sinking of the Kursk submarine in the Barents Sea resulted in unexpected and extremely harsh criticism of the president from a section of the liberal wing of his allies.

It is extremely unlikely that the all-state machine would support the administrative and legal reforms, as one of the aims of the federal authority's policy is to fight corruption; however, this directly impinges upon the personal interests of government officials. The fact that there is not sufficient social and political backing poses, in our opinion, a serious limitation to the "Winner takes all" scenario.

It is no coincidence that we only consider one variant of this scenario a possibility, namely that in which the victory would go to the federal center. The other possible variant – a short-term prospect of victory in the regions – is unrealistic. Russia's central authority has far more opportunities to influence a political situation than the members of the federation do.

It is difficult to tell whether an effective state would arise in this scenario. One thing, however, is undeniable: the given scenario would strengthen the personal power of the president and the state machine, weaken the parliamentary system and local government, and bear the serious threat that an authoritarian regime might develop.

Scenario 2: "Back-stage sabotage or chaos as a consequence of de-regionalization"

This scenario would be possible if the federal government insisted on its own variant of reforms and strengthened its pressure upon the regions in the long run. Politically, this variant would mean a failure of the dialogue between the federal authority and the regional authorities. Economically, it would constitute an attempt to restore a centralized economy, a return to state monopoly in foreign trade, and, in the long run, a complete default of market reforms.

Hard pressure on the regions, inevitable in this scenario, could have various political consequences. Open opposition to the policy of the federal center by the various regional leaders could occur. Most likely, however, this scenario would

cause latent sabotage by officials in the provinces: the regional elites would undertake all efforts to neglect the instructions from above, while demonstrating at the same time full accord with the president's point of view.

In this scenario, governance of the regions would become more complicated, and the process of coordinating the regions' interests with the federal center would become more complex. It is doubtful whether the newly appointed representatives of the federal districts are able to contribute to the improvement of the current situation. The art of playing "official games" in regional administrations is perfected to such a degree that the center would hardly be able to win this battle against the officials. There would therefore be only one way out, namely to ensure that loyal regional leaders come to power. However, this could never be fully realized.

The extreme variant of this scenario could be the emergence of separatist movements in the regions, and, as a result, chaos in all the country. In this "confrontation" scenario, the regional elites are unlikely to act in isolation. They have earned a certain degree of standing in their regions and would therefore be supported by the populations of the regions, especially in the national republics, where a regional leader is not only a leader but also "the father of the people" and defender of the national and religious tradition. Another potential ally of the regional elites in any opposition to the center is the economic elite. Its support, however, is conditional.

This extreme and undesirable scenario could only become a reality if the authority, after economic, political, and social failures and miscalculations, were compelled to strengthen its pressure on the opponents. In the authority governing the regions used administrative methods and force instead of political and economic methods, there could be tragic consequences. It is hoped that this will not occur.

Scenario 3: "A forced compromise"

This is the most favorable scenario of development. It can be realized if the parties to the dialogue, namely the federal authority and the regional elites, realize that dominance of one party over the other is undesirable. Chances that this scenario will be realized are high, provided those nearest to the presidential entourage agree with some of the demands of the regional elites. This scenario could become the likeliest for Russia's future, if all participants of the contractual process accept the common rules of the game. An important condition for the realization of this scenario is the consent of the federal authority to take the interests of the regions seriously. The agreements between the regions and the federation should follow formal institutional rules and official law and should not take place in the traditional way of trading on the basis of personal, non-institutional networks.

As mentioned, a consensus between the regions and the center is the most favorable scenario. While it is possible to speak about some of the attributes of its realization today, it would be premature to speak about specific arrangements between the federation and its members.

We shall not explore *the fourth scenario – a democratic variant of development of the Russian state*. The realization of this task, which is so important for Russia, has obviously been postponed again. This is a pity. After years of reforms, a weak but democratic order has been constructed in Russia. Rudiments of civil society have appeared. The task of the authority at this stage should consist in maintaining those democratic structures that have appeared but that have not had enough time to get stronger. It is most likely that the politicians of the next generation will solve this problem.

It is now extremely difficult to tell which of the three possible courses of events will be realized, as the political situation in Russia remains uncertain. We must realize that the dialogue between the center and the regions, if both sides try to deal with one another from a position of strength, will never achieve constructive results. The problems of relations between the branches of power in Russia will never be realized with a lightning approach, whatever pragmatic and ethical motives stand behind such an approach. A mature authority differs from an immature authority in one way only – the mature authority understands that without taking into account the interests of the various groups, the development of a society is impossible.

We believe that after the first stage in the further development of the relations of the center with the regions, which involves an attack on the rights of the provinces, the federal authority will be bound to proceed to the second stage – a new compromise with the elites of the regions. The earlier compromise between the center and the regional elites granted the latter freedom of action in exchange for loyalty. The new compromise will be based on a rigid yet pragmatic distribution of functions: the central authority will attend to big politics and fix common rules for all, and the regional elites will “rule” in their provinces under the supervision of the center. Such a compromise is less favorable to the heads of the members of the Russian Federation, but it ensures them wide-ranging authority within their region. We predict that the establishment of actual rules of the game regarding the relations between the center and the regions will begin after the governor elections, when the governors realize who their true supporters and opponents are. Until the new political power constellations are clear in the regions, it would be unwise of the regional elites to engage in a battle for rights with the federal center. The governors realize this, as does the Kremlin, which has initiated transformations at a time that is very inconvenient for the governors and yet that could succeed.

Conclusion: from revolution to evolution

In the 1990s the regional elites became influential political actors. They accumulated power and effective leverage to influence the regions' domestic, international, and foreign economic policies. They also created a system for representing regional interests at the federal center. The process of state building that began from below served the ambitions of the regional heads and strengthened their political position in the eyes of the local populations. It is no surprise that the polls carried out in the 1990s indicted a steady reduction in authority of the central government and an increase of the popularity of regional and local leaders.

Then the new challenge was to put the relations between the regions and the federal center in order, while preserving the positive changes that had occurred in the social, economic, and political life of some of the regions during the last ten years.. Under the new conditions it was essential to complete the development of Russian federalism in order to transform Russia into a real federal state with a single economic, legal, and information space. In turn, this required the strengthening of the state and an increase in its efficiency and authority. This could only be achieved through dialogue between the federal, regional, and local authorities and the economic elites of all levels.

The development of federalism is inseparable from the democratization of society. The Russian government's goal was to simultaneously strengthen the state (from above) and introduce democratic control over public processes (from below). At the same time, the main achievements of the Russian reforms were to be maintained, namely the *plurality of social actors, who alongside the central authority participate in the development of state policy*. With this approach the regions, which had gained positive experiences in the economic, political, and social

spheres, could become focal points of growth for other Russian regions and for the Russian Federation as a whole.

The new Russian authorities have, however, opted for a different political model, namely *mono-centric model of power*. Such a model means that the state will try to fill the entire social-political space. All actors who had a great influence in the past (big businesses, regional leaders) will be phased out of the political arena according to the rules established by the central power. In a new centralized state regional representation is considerably diminished, and the main social, economic, and political problems will be solved by the federal center or at the level of federal districts. The myth about a “strong state” has again become popular in politics, but, unfortunately, nothing is being said about the democratization of society.

Modern Russia, in terms of its legal and constitutional system, is not perfect. Equally imperfect are the relations between the center and the regions. It seems unlikely that the reforms “from above” will be able to ameliorate the situation. For the past decade the regions have become stronger and have begun to recognize their interests. Any attempt to slow down independent and at times very successful regional development will have a negative affect on the development of Russian federalism. Conversely, any attempts to enlarge the territories (the forming of federal districts is the first step in this direction) will result in a new failure with possible serious social, economic, and political consequences.

It is also safe to assume that a strengthening of the state and the creation of a legal economic space will not prevent the regional economic structures from adapting to the market economy and will not prevent the formation of a true federation, where a strong center coexists with *strong regions that all enjoy equal rights*. Russia is a large country with various economic and political regimes. There exist complex configurations of relations among the regional elite groups. This necessitates a *evolutionary, rather than revolutionary, development* for the successful development of Russian statehood.

It remains to be seen how fast the federal authorities will realize this and whether Russian statehood will develop successfully at all. In the meantime, we may place our hopes in the pragmatism and rationality of the elite groups, both in the federal center and in the regions, as they together could solve many of the difficult problems facing modern Russia.