

The City of Moscow in Russia's Foreign and Security Policy: Role, Aims and Motivations

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Foreword

The city of Moscow is the capital of Russia and the most prosperous of the 89 Russian regions. It accumulates an estimated 80% of Russia's financial resources and absorbs the largest part of the country's foreign investments. Due to its huge economic potential, a dynamic market, a well-developed infrastructure and a highly qualified labor force, Moscow has turned into the most "globalized" region of the Russian Federation. The reforms of the last ten years have also led to the development of a more pluralistic society that pursues manifold and diverse interests. Paradoxically, Moscow's democratic institutions are still rather weak. The city is ruled in an authoritarian way, crime is widespread, and corruption seems to be an integral element of political life.

This study is written by Oleg Alexandrov, Research Associate at the Moscow State Institute for International Relations and a member of the Russian Study Group at the Center for Security Studies and Conflict Research. It analyzes the complex international network that the city of Moscow is tied into. The paper assesses the roles, aims and motivations of the main regional actors, such as the Moscow political authorities, the media tycoons and the major financial-industrial groups. Special attention is paid to the problem of institutional and non-institutional interaction between the Moscow city authorities and the federal center in the foreign and security policy realm, with an emphasis on the impact of President Vladimir Putin's federal reforms.

The author illustrates how Moscow city officials have actively, and with great success, promoted their interests in the field of foreign and security policy by lobbying the federal institutions. He shows how this group ambitiously promoted Moscow's large-scale political and economic goals within all of Russia, and expanded the city's ties to most of the states of the Commonwealth of

Independent States (CIS) and a number of other countries in Europe and around the globe. Under the charismatic leadership of Mayor Yurii Luzhkov, the Moscow authorities directly challenged federal policy on a number of crucial issues such as the question of the status of Sevastopol' and Crimea, the rights of Russian minorities outside Russia, and Russia's relations with Ukraine.

The role of Russian regions in Russia's foreign and security policy has been growing steadily during Boris Yeltsin's presidency. More recently, Putin's reforms of federal and regional institutions not only questioned the role of sub-national units in internal and external politics, but also endangered the rather delicate balance of Russia's federal system. The dynamics of the cooperative and at the same time competitive relationship between the ambitious leadership of Moscow city and the federal center are, therefore, essential indicators for assessing the Russian regions' chances to remain politically powerful and relatively autonomous as actors, both domestically and internationally.

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Introduction*

Moscow – the capital of Russia and at the same time one of the 89 subjects of the federation – is the country’s most important political, economic, financial, cultural, scientific and historical center. More than any other Russian city, Moscow is economically, socially and culturally integrated into a rather dense interregional and international network. Due to its gigantic market, Moscow has become a genuine “island of globalization” within post-Soviet Russia. At the same time, a semi-closed, undemocratic system of power and management has formed in Moscow as a result of the political transformations. This system is based on a feudal, “patron-client” relationship of power and ownership.¹

This paper aims to define the international potential and delineate the foreign economic strategy of Moscow. It also aims to portray the role played by the city and by the city’s political, intellectual and business elite in the process of elaborating and implementing Russia’s foreign and security policy.

The first part of the paper analyzes the political, economic, social and ethnocultural situation of Moscow, factors which together form the city’s potential in building inter-regional and international ties. Special attention will be given to the specific economic model of Moscow, which has been largely shaped in opposition to federal practice.

The second part of the paper analyzes the foreign political and economic ties of Moscow, as well as its links in the sphere of culture. In particular, it

* The author is grateful to Jeronim Perovic and Andrei Makarychev for constructive comments on earlier drafts. This paper was completed on 15 March 2001, and does not include latest events.

1 In the opinion of Donald N. Jensen, “the City Hall’s extensive involvement in business entrepreneurship actively facilitated by its patrimonial control over property” is a key element of Luzhkov’s “success formula”.

studies the region's international potential, the criminogenic situation in the city which influences Moscow's safety and image, as well as the investment climate in the capital. The paper examines the attempts of the Moscow authorities to conduct their own course of foreign policy, which differs from the federal one, and also looks at the evolution of Moscow's preferences in the area of foreign policy against the background of the foreign policy of the federal center.

The third part of the paper analyzes the stages of interaction between the region and the federal center. It also considers Moscow's potential to influence decision-making in the area of the Russia's foreign policy. A special task of this research paper is to reveal the extent of influence and the consequences of President Vladimir Putin's administrative reform for the status and foreign policy of Moscow. Among other things, it will trace the evolution and determine the character of the relationship with the Central Federal District and its head.

The main issue of this paper is to demonstrate the importance of foreign links for the Moscow authorities, and also to find out which forms of interaction enable Moscow to influence Russia's foreign and security policy in the most effective way.

Economic, inter-regional and ethno-cultural links

Moscow is the only Russian city and region to have triple status, namely that of being a city as well as the capital of Russia and an administrative-territorial entity of the Russian Federation (RF). The status of the city of Moscow as the capital and as the constituent entity of the federation is established by the Constitution of the Russian Federation, by the federal law On the Status of the Capital of the Russian Federation, and by the Charter of the city of Moscow.² The Charter of the city defines Moscow as a city of federal importance.³ Occupying an area of 1'080 square kilometers, Moscow has 8'629'000 residents, or 5.87% of Russia's total population; this by far exceeds the population in any other region of Russia.⁴

For centuries, Moscow has been the center of Russian national culture. The most valuable historical, architectural, and religious monuments are concentrated here: the Kremlin Ensemble, Red Square, Christ the Savior Cathedral, the Novodevichii Convent, the Fili Church, the Tretyakov Gallery, the Danilovskii Monastery, the Moscow State University, the Triumphal Arch, the memorial on the Poklonnaia hill, the Bolshoi Theater, and others. Moscow is the most important educational center in the country. The city's 85 establishments of higher education comprise 31 universities and 19 academies, including well-known ones such as the Moscow State University, the Russian University of Peoples' Friendship, the Moscow State Technical University, the Russian State Medical

2 "Status goroda Moskvyy" (Status of the City of Moscow), the official web site of Moscow City Hall (http://www.mos.ru/cgi-bin/alpha/Ist_html?1129,1267).

3 "Ustav goroda Moskvyy" (Charter of the City of Moscow), Rosbizneskonsalting web site (http://www.rbcnet.ru/publ/zh_alm/07_mestso/07_04um.htm#g11).

4 "Mosgorkomstat – statistika Moskvyy" (Mosgorkomstat – statistics on Moscow), Mosgorkomstat official web site (http://www.mosstat.ru/st_cosek.htm).

University, the Moscow State Pedagogical University, the Moscow Medical Academy, the State Academy of Management, and the Russian State Plekhanov Economic Academy.

The above factors contribute to the role of Moscow as the political, cultural, historical, scientific, and industrial center of Russia. Moscow plays a leading part in the economic processes and largely defines the course of the country's social and political transformation. The metropolis' singularities as regards economic and social processes make for a specifically Muscovite way of living. They influence the relationship between power and society as well as interaction with the outside world and the regions of Russia. Bearing this in mind, the chapters in this part of the study focus on political, economic and ethno-cultural factors that determine Moscow's potential at the inter-regional, global, and ethno-cultural level.

1.1 Internal factors and characteristics of Moscow's political system

The existing power system in Moscow started to take shape in the early 1990s, when a wave of democratic reforms brought people from the democratic, or more precisely, the anti-Communist opposition to power on the federal level (Yeltsin) and in major cities (Anatolii Sobchak in St Petersburg and Gavriil Popov in Moscow). On 12 June 1991, on the same date as the presidential election, Popov as a representative of the democratic intelligentsia was elected as the first mayor of Moscow, while the former head of the Executive Committee of the Moscow Council, Luzhkov, was elected vice-mayor. According to Luzhkov, he owes this stage of his career to Yeltsin, who knew him from their work in Moscow (1985-1987) and recommended him to Popov.⁵ The first elected leadership of Moscow was therefore an amalgamation of democratic politicians and manager-type economists.

Popov as a member of Yeltsin's team fell victim to a conflict between the executive and legislative powers of the country and the capital. Following a number of shaky compromises, Popov was forced to resign on 5 June 1992, after less than a year in office. On the following day, President Yeltsin appointed Luzhkov as the mayor of Moscow. Luzhkov managed to stabilize the difficult political and economic situation in the capital on the basis of a depoliticization of the institutions: "I have been and still remain on one platform: the economic one".⁶

The Moscow authorities were directly involved in the all-Russia political crisis of the legislative and executive powers in September and October of 1993. By

5 Luzhkov, Yurii M. "My deti tvoi, Moskva!"(We are your children, Moscow!), Mayor of Moscow's official web site (http://www.mos.ru/mayor-lujkov/3_1.htm).

6 Luzhkov, Yurii M. "My deti tvoi, Moskva!"(We are your children, Moscow!), Mayor of Moscow's official web site (http://www.mos.ru/mayor-lujkov/3_2.htm).

giving decisive support to the president in his fight with the Congress of People's Deputies and the Supreme Council, Luzhkov came into conflict with the deputies of the Moscow Council who sided with the legislative power. As a result, Luzhkov was on Yeltsin's side through all the stages of the crisis, which ended with the shelling of the House of Councils and the dissolution of rebellious regional parliaments.

Taking advantage of the situation, the Moscow mayor unilaterally changed the Moscow legislation by decreeing the establishment of a new legislative and representational body, namely the Moscow City Duma, which consists of 35 deputies nominated by different parties, movements and local electorate meetings, and which is elected for 4 years.⁷ The executive power of Moscow was entrusted to the Moscow city administration, the Moscow mayor's office. The mayor of Moscow, who is elected in tandem with the vice-mayor by Moscow residents for 4 years, became the top official of the city. The new system of power institutions sharply changed the balance of power in favor of the executive power. The Charter of the city of Moscow, which was only adopted in 1995, confirmed this correlation. The first Duma convened on 24 October 1993.

In accordance with the new procedure, Luzhkov served his first term in office from 1992 to 1996 as the appointed head of the region. He was elected by an overwhelming majority of votes (88.49%) on 16 June 1996, with 76% voter turnout.⁸ Luzhkov was elected for his second term on 19 December 1999, with 71.5% of the votes. In contrast to his triumphant victory in 1996, which coincided with the re-election of President Yeltsin, the election campaign of 1999 unfolded under heavy fighting of the competing forces and was accompanied by resounding scandals. The main plot of the campaign was linked to Luzhkov's attempts to bring the election date forward from the summer of 2000 to December 1999 in order to strengthen his own position before the presidential election, in which he personally planned to run for office.⁹

Luzhkov's main opponent was the Kremlin administration, which attempted to compromise him in the eyes of the voters and to force him to give up his intention of getting nominated in the 2000 presidential elections. In 1999, Luzhkov was heavily pressured by the federal authorities, political advisors employed by the president, and pro-Kremlin journalists. In addition, former prime minister Sergei Kirienko entered into competition for office with Luzhkov on 30 May. He launched his campaign with destructive criticism of the Moscow authorities, repeatedly making the point that he was fighting against the system,

7 "Obshchie svedeniia" (About the Moscow City Duma), the Moscow City Duma official web site (<http://www.duma.mos.ru>).

8 Zorkal'tsev, V. I. and A. I. Podberezkin. *Sovremennaia politicheskaia istoriia Rossii. 1985-1998 gody* (The modern political history of Russia. 1985-1998). Moskva: AO "RAU-Universitet", 1999.

9 Details of the story are portrayed in the article "Moscow seeks to move up mayoral elections." *EWI Russian Regional Report*, no. 20 (1999).

and not against individuals: “We know what happens when the law and the whole system of power is tailor-made for one person. Luzhkov of today is Yeltsin of yesterday. And I don’t want this mistake to be repeated”.¹⁰

The main weapons of the Kremlin’s propaganda in the struggle against the Moscow mayor, however, were the ORT TV channel and its main political analyst, Sergei Dorenko. He was following the instructions of ORT’s owner, Boris Berezovskii, whose security would have been seriously threatened if the Primakov-Luzhkov tandem had come to power. Beginning in September, Dorenko launched a weekly campaign against Luzhkov and Primakov, ignoring any written or unwritten rules on journalistic ethics. Accused by Dorenko of grave crimes, including the murder of American businessman Paul Tatum, Luzhkov lost his nerve and made a public announcement that he was not going to run for president.¹¹ Nevertheless, the campaign continued and only ended just before the election, in which the “Fatherland” movement came third after the Communists (KPRF) and the “Unity”, and Luzhkov left the presidential race for good.

In spite of his failure at the federal level, Luzhkov managed to be re-elected as the mayor of Moscow for another term. He still won the election quite confidently, although not with the overwhelming majority of 1996 (with 71.5% in the first round, Luzhkov came ahead of both Kirienko (11.4%) and Pavel Borodin (6.1%)). The “Fatherland-All Russia” movement, created with Luzhkov’s active participation, also won 30% more votes on average in Moscow than in the remainder of Russia.¹²

Today, Moscow belongs to the group of Russian regions with fairly authoritarian political regimes. The mayor of Moscow has exclusive prerogatives in accordance with the City Charter.¹³ Along with being the mayor at the municipal level, Luzhkov actually performs the duties of a governor at the regional level, and despite being appointed mayor in 1992, he continues to head the government of Moscow with the rank of Prime Minister. These extensive authorities of the head of the city left not much room for the legislative power (the Moscow City Duma), which did not perform the role of a serious political opposition force to the executive but acted very much in line with Luzhkov’s policy .

The structure is complemented by a strict administrative division of the city that excludes local self-government. The territory of the city is divided into 125 districts, forming 10 administrative *okrugs* (areas). The executive power in the administrative areas is exercised by a prefect who is appointed by the mayor of Moscow and heads the prefecture of the administrative area. The governing body

10 Klochkov, Igor’. “Skhvatka za kepku”(Fight for a cloth-cap). *Kommersant’-Vlast’*, no. 23 (1999).

11 Slavutinskaia, Inessa and Aleksandr Shan’ko. “ORT-rial’noe davlenie”(ORTerial pressure). *Profil’*, no. 38 (1999).

12 *EWI Russian Regional Report*, no. 48 (1999).

13 See chapter 8 of the Charter of the city of Moscow, Rosbizneskonsalting web site (http://www.rbcnet.ru/publ/zh_alm/07_mestso/07_04um.htm#gl6).

of the district is the district *uprava* (council), consisting of the district assembly and the head of *uprava*, which heads the district assembly and the district administration. The prefect of the administrative area coordinates the activities of the district *upravas* located in the territory of the *okrug*.¹⁴ The above structure shows that there is practically no local self-government in Moscow; the system of power concentration in the hands of the prefects who are appointed by the mayor and report to him is an effective lever of management and administrative resources.

On the whole, the phenomenon of the authoritative power existing in the democratically oriented metropolis, with elements of global culture, is a cause of genuine interest, both in terms of understanding the essence of the political and social processes unfolding in Moscow and in terms of defining the prospects and future developments of the region's internationalization. It seems that this is not so much the result of a bizarre combination of a divided society's fragmentary political structure and Luzhkov's charismatic qualities, but rather of the conscious backing of a politician whose mentality so miraculously combines "patron-client" thinking and believes in a Russian "special mission" and in its „greatness" with ideas of a free society. According to skeptics, as cited by Andrei Riabov, "Luzhkov's ideology is an optimistic synthesis of a reformer's 'innovations' with state-centric Soviet traditionalism".¹⁵

Luzhkov therefore appears to be both a traditionalist cum *pochvennik* (man of the soil who accuses the reformers of the early 1990s of a lack of understanding of the Russian singularities and of thoughtless planting of Western ideas which would turn Russia into a raw material appendage of the developed countries) and a liberal pragmatist who says that "the driving force of the society's development should be the personal benefit of everyone".¹⁶ Meanwhile, upon closer examination it turns out that throughout the last decade, Luzhkov has been the politician most willing to compromise, and who managed to win over both the supporters of the said ideologies and the apolitical voters.

1.2 *Economic situation and investment potential*

The economic and geographical situation of Moscow is favorable for the development of inter-regional and international links. At present, Moscow is a crossroads of automobile, air and railway routes; it is the terminal and transitional point of all the nodes of Russia's modern infrastructure. The major airports of the country, Vnukovo, Domodedovo, Sheremetyevo-1, Sheremetyevo-2, and Bykovo are located in the territory of Moscow and the Moscow region.

14 "Territorial'nye organy upravleniia" (Territorial government bodies), Moscow City Hall's informational site (http://www.info.mos.ru/gor_vl/t_organ/t_organ1.htm).

15 Zorkal'tsev and Podberezkin, *Op. cit.*

16 Luzhkov, Yu. M. "Egoizm vlasti" (Selfishness of the power), Moscow City Hall information site (<http://www.info.mos.ru/mer/doc1/htm>).

Moscow is the largest megalopolis in Russia and Eastern Europe. The structure of its economy characterizes it as a post-industrial city.¹⁷ 80% of Russia's financial resources are concentrated in Moscow; it receives a third of the foreign investments made in Russia. During the last decade, the city has kept its leading position in sectors such as education, science and technology (mostly derived from the military-industrial complex). This has ensured its competitiveness at the world level.

In the early 1990s, Moscow's leadership continuously fought for its right to an independent design of economic reforms. Neither the team of reformers around the president of the RF, nor the Supreme Council supported the position of the City of Moscow leadership.¹⁸ Luzhkov led a campaign against Chubais in 1993-1994 for the right to implement Moscow's own version of privatization. Despite Chubais' resistance, Luzhkov finally received the Russian president's consent to special privatization rules for Moscow.

Luzhkov's main argument was that privatization should be carried out according to common sense, and not according to Chubais' instructions: "Privatization has an aim, namely to give away property which the state is unable to manage. In Chubais' privatization program, for instance, I do not see ways of achieving this aim. It only reduces the number of objects remaining under state ownership to a minimum, and the rest is subject to privatization. It seems to me that under the present inflation the real proprietor, for instance, would have tried to put off the sale of real property. It is easy to squander everything one has earned".¹⁹

According to Donald Jensen, a "patronage" political system has been set up in Moscow under Luzhkov. It is characterized by an interfusion of power and business. This is most fully reflected in the interaction of three elements:

- the wide-spread participation of the Moscow authorities in commercial activities;
- the involvement of Moscow businesses, especially banks, in the funding of municipal projects and programs, along with the commercial use of municipal funds;
- the non-transparent budget processes, marked by an extensive use of extra-budgetary funds.²⁰

17 See for more information on the structure of employment in Moscow: *EWI Moscow city*, 17 November 1999.

18 Luzhkov, Yurii M. "My deti tvoi, Moskva!" (We are your children, Moscow!), official site of the mayor of Moscow (http://www.mos.ru/mayor-lujkov/3_2.htm).

19 "Moskovskoe pravitel'stvo Yurii Luzhkova" (Moscow government of Yurii Luzhkov), (<http://www.nns.ru/analytdoc/luzpr14.html>).

Under Luzhkov, the city administration has become the owner of a huge part of the well-known industrial enterprises, and is a full or partial shareholder in enterprises such as automobile companies, oil-processing, and food-processing industries, telecommunications, to name but a few. In total, the Moscow government owns shares in about 500 local companies, including the controlling blocks of shares in 260 companies (construction companies, part of the local telephone companies and their infrastructure, dozens of food-processing enterprises, seven big hotels, and hundreds of shops and restaurants).²¹

At the same time, the Moscow government owns 36 million square meters of commercial real estate, and also owns property in other regions of Russia and abroad. In spite of the August 1998 crisis, the city earned about US\$309 million on real estate transactions in 1998. The estimated overall value of real estate owned by the city in 1998 amounted to US\$25 billion.²²

As the owner of real estate and a shareholder in many leading companies, and backed by the financial and banking community, the government of Moscow determines the course of the economic processes in the city.²³ According to many analysts, an important element of the power and business symbiosis in Moscow is AFK Sistema (a joint-stock financial corporation Sistema), which is headed by Luzhkov's family friend and former member of the Moscow government Vladimir Yevtushenkov. AFK Sistema is currently a major financial and industrial conglomerate worth US\$2 billion, combining more than 200 hi-tech companies and 70'000 employees in ten regions of Russia, as well as in the Commonwealth of Independent States (CIS), Europe, and the US.²⁴

In spite of his friendly relationship with the mayor of Moscow, Vladimir Yevtushenkov affirms that the company was set up without Luzhkov's participation and funds.²⁵ In his words, "the city authorities do not hold a stake in the share capital of the structure, that is, they cannot influence its activities; Sistema does not influence the city authorities".²⁶ Either way, the corporation is a power-

20 Jensen, Donald N. "The Boss: How Yury Luzhkov Runs Moscow," The Conflict Studies Research Center (<http://www.ppc.pims.org/Project/csrc/E105.htm>).

21 *EWI Moscow city*, 17 November 1999.

22 Jensen, Donald N. "The Boss: How Yury Luzhkov Runs Moscow", The Conflict Studies Research Center (<http://www.ppc.pims.org/Project/csrc/E105.htm>).

23 See also "Pravitel'stvo Moskvyy – radikal'no-demokraticheskaya politiko-nomenklaturaia gruppa" (Government of Moscow – the radical, democratic, political and nomenclature group), (<http://www.nns.ru/analytdoc/luzpr14.html>).

24 Evtushenkov, Vladimir. "Ia ne taktik. Ia strateg" (I am not a tactician. I am a strategist), National News Service web site (<http://www.nns.ru/interv/int2488.htm>).

25 Evtushenkov, Vladimir. "Ia ochen' ne khochu pokhodit' na edakova Korzhakova" (I do not like to be such a Korzhakov), National News Service web site (<http://www.nns.ru/interv/int172.htm>).

ful financial foundation for the Moscow mayor, and also serves as a potential falling-back position in case Luzhkov is removed from office.

On the whole, Luzhkov's economic policy has been aimed at supporting domestic production.²⁷ In an effort to realize his approach, the Moscow mayor made energetic attempts to revive the domestic car industry in the mid-1990s. He provided AMO ZIL and AO Moskvich with soft loans for production development, and took it upon himself to pay the debts of these enterprises.²⁸

The Moscow government took a number of measures to attract domestic and foreign investors. Renault showed an interest in AO Moskvich in 1996-1998, and Volvo towards AMO ZIL.²⁹ In addition, Luzhkov managed to secure orders for AMO ZIL from the LUKoil company which was interested in getting access to the Moscow market.³⁰ In spite of these efforts, the situation of these enterprises became so serious that several years later, in January 2001, the Moscow government virtually refused to continue to support them.

Moscow actively develops its links with the regions of Russia, having signed more than 214 inter-governmental agreements with them, including 44 agreements signed in 1999. Among its partners are not only Russian regions, but also countries and constituent entities of the CIS and other post-Soviet states, including 74 entities of the RF and 10 CIS countries, as well as the Lithuanian Republic. The Moscow city Coordination Council on Inter-regional Cooperation was set up at the behest of the mayor.³¹ The main objective of the agreement-based relationships with the regions is to create a climate of mutual preference in economic development, above all in the real estate sector.

Trading houses and shops operated from Mordovia, Vologda, Altai, Nizhnii Novgorod, and Yaroslavl were opened and are thriving in Moscow. At present, Moscow is looking for commercial facilities to open trading houses in the Tatarstan, Saratov, Udmurtia, Sverdlovsk, and Irkutsk regions. An inter-regional exhibition on the "Export Potential of Central Russia" was held for the first time. Yaroslavl hosted the International Forum on "Development of cultural tourism in the regions of Central Russia".

26 Evtushenkov, Vladimir. "Ia ne taktik. Ia strateg" (I am not a tactician. I am a strategist), National News Service web site (<http://www.nns.ru/interv/int2488.htm>).

27 See Luzhkov's opinions on customs duties in: Zorkal'tsev and Podberezkin, *Op. cit.*

28 *EWI Russian Regional Report*, no. 11 (1996), also no. 16 (1998).

29 "Sweden's VOLVO and Moscow's ZIL automobile factory signed a cooperation agreement." *EWI Russian Regional Report*, no. 37 (1998).

30 "Russia's automotive industry: great potential, big problems." *EWI Russian Regional Report*, no. 17 (1997).

31 "Mezhregional'nye sviazi (Interregional links), Moscow City Hall's official site (<http://www.mos.ru/progr/doc1999.htm#68>).

On the whole, Moscow's economy is quite a patchwork of industries that are still under development and quasi-market institutions that are under the strict control of the Moscow authorities. During the last decade, the mayor has created a system where the economic sphere has little transparency, is removed as far as possible from the voters, and is brought as closely in line as possible with the interests and political ambitions of Luzhkov and his circle.

Moscow currently faces three urgent issues. First, the federal and Muscovite authorities should agree on the legal status of Moscow, including the division of federal and regional jurisdictions in terms of administrative and territorial units and property of the city. Second, Moscow needs an overall concept of development for the next decade that would not only consider the interests of Moscow and the federal authorities, but also take into account the opinion and needs of the regions. Third, Moscow needs to de-bureaucratize the apparatus of the mayor's office, which would result in a more transparent decision-making process on economic issues and an improved atmosphere of international cooperation.

1.3 Ethno-cultural factors

Present-day Moscow is a vivid example of the multi-ethnic nature of modern Russia. According to the Center of Inter-ethnic Cooperation, there are currently about 140 ethnic groups in Moscow; over 3 million people of non-native (non-Russian) nationalities (i.e. over one third of Moscow's population) live in the city.³² The ethnic composition of the capital has distinctly changed within the last decade. Compared to the 1989 census, where the biggest national minority, the Ukrainians, numbered about 250'000 people, or 2.9%, the latest data show an "ethnic revolution" which has taken place over the last ten years. During 1996-1997 alone, about 700,000 people arrived in Moscow from the former Soviet republics, mostly from the Transcaucasian region, Tadjikistan and Central Asia.³³

While in the early 1990s people migrated to the capital from Transcaucasian countries (Armenians, Azeris and Georgians), the immigrants arriving in the mid-1990s included Chinese, Vietnamese, Koreans, Afghans and Kurds. In general, the Moscow population is growing due to the arrival of people from the provinces, as well as refugees, and migrants arriving in search of jobs and better living conditions. Other important factors determining the level of inter-ethnic relationships in the capital include: the first and second Chechen wars, criminal infighting of ethnic clans, bomb explosions in Moscow in the fall of 1999, the explosion on Pushkin Square on 8 August 2000, and the fire at the Ostankinskaia TV tower in

32 Kol'chik, Svetlana. "U moskvichek budut raskosye glaza" (Muscovites are going to have slanting eyes), AIF-Moskva web site (http://www.aif.ru/moskva/377/aif39_50.php).

33 *Ibid.*

September 2000. Thus, after the Pushkin Square explosion, Luzhkov spoke of a “Chechen trail” in the tragedy.³⁴

These and other developments in Moscow have led to a catastrophic decline of inter-ethnic trust from 32% in 1992 to 5.7% in 1998. There has been a simultaneous increase in the number of Muscovites expecting an escalation of conflicts (from 17% in 1993 to 37.2% in 1996).³⁵ The same author, however, also offers data showing that the Moscow population is tolerant towards newcomers: only 23% of the respondents spoke with a negative attitude towards representatives of other ethnic groups resident in Moscow, and 68% of Muscovites have friends among Moscow residents belonging to other ethnic groups. Significantly, only 15.7% disapprove of inter-ethnic marriages.³⁶

In order to harmonize inter-ethnic relations, educational establishments with an ethno-cultural educational component are being reopened in Moscow. The Moscow inter-ethnic council was created in 1994 by the Committee of Social and Inter-regional Links of the Moscow government. The emergence of ethnic communities in Moscow has been reflected in the capital’s religious and cultural life. The following religions and religious organizations are currently represented in Moscow: the Russian Orthodox Church, old-believer Orthodox churches, Islam, Judaism, Buddhism, Catholicism, Protestantism.³⁷

While still maintaining their ethnic identity, modern ethnic minorities (Ukrainians, Belarusians, Tatars, and Koreans) are eager to assimilate to the economic, and sometimes to the cultural life of the capital. Some representatives of ethnic minorities therefore acquire a territorial identity along with their ethnic identity. On these grounds, an increasing number of them consider themselves not only representatives of certain groups but also Muscovites.³⁸

On the whole, the ethno-cultural factor is an important one which, along with political, economic and socio-cultural aspects, accounts for the singularity of the region, the level of inter-ethnic harmony and the safety of the constituent ethnic groups, as well as the prospects of its inter-regional, international and socio-cultural links.

34 “Moscow Mayor pins blame for blast on Chechnya.” *RFE/RL*, vol. 1, no. 14, 17 August 2000.

35 Shcherbakova, Yu. A. “Problemy etnicheskikh men’shinstv v usloviakh megapolisa: opyt Moskvy” (Problems of ethnic minorities in a megapolis: experience of Moscow). In *Rossia i ee sosedi*, ed. Shcherbakova, Iu. A., pp. 58-71. Moscow: INION RAN, 2000.

36 *Ibid.*

37 “Obshchie svedeniia o Moskve” (About Moscow), Moscow city Hall’s official site (<http://www.info.mos.ru/info/info14.htm>).

38 *Ibid.*

Moscow's foreign contacts

The second part of this paper analyzes the foreign policy and foreign economic links of Moscow leadership. An attempt is also made to identify the aims and motivation of the international activities of the Moscow leadership and the metropolitan business elite. Among other things, this section assesses the influence of factors such as the region's international potential, the criminogenic situation which affects Moscow's safety and image, and the investment climate in the capital.

2.1 Foreign economic links and investment policy

In spite of competition from other regions of Russia, Moscow firmly holds the first place in terms of investment potential and a favorable investment climate. According to the magazine *Ekspert*, Moscow came first in the investment rating of Russian regions (a position it held also in the previous year). It was awarded a 1A rating (maximum potential – minimum risk).³⁹ In 1999 and 2000, the Moscow economy was recovering from the August 1998 crisis, which dealt a heavy blow to municipal funds and foreign investments, the share of which fell from 80% in 1997 to 25% in October 1999.⁴⁰ Still, in 2000 the capital's potential grew by 2% and it now represents 17% of the overall potential of Russia.⁴¹

Moscow has also maintained its leading position in terms of the number of large companies: 15 (the biggest figure) of the 200 largest Russian enterprises in

39 "Investitsionnyi risk i potentsial rossiiskikh regionov v 1999-2000gg." (Investment risk and potential of Russian regions in the period of 1999-2000). *Ekspert*, no. 41(2000).

40 *EWI Moscow city*, 17 November 1999.

41 *Ibid.*

terms of sales volume are based in Moscow.⁴² The capital holds the leading place among Russian regions in terms of foreign contacts. According to the 1999 data, Moscow accounts for one third of all direct foreign capital investments and almost 50% of the accumulated foreign investments. Out of 26'700 joint ventures in Russia, 19'900 are based in Moscow. An overwhelming majority of representative offices of foreign companies were opened in Moscow (4'900 out of a total of 5'600 in Russia).⁴³

After a heavy inflow of foreign investments in the mid-1990s (US\$1'876.9 million in 1995, US\$4'291.6 million in 1996, US\$7'076.7 million in 1997), the annual inflow stabilized in the late 1990s at US\$4 to 5 billion.⁴⁴ In practice, direct investments account for the lion's share of investments, and portfolio investments do not represent more than a fraction of the same. The highest growth rate of accumulated foreign investments is observed in inflows from Liechtenstein, the US, Cyprus, and Germany. The biggest investors in terms of the absolute value of invested capital are Switzerland, the UK, the US, Germany, the Netherlands, Liechtenstein, France, Austria, Cyprus, and Belgium. These ten countries, with investments of over US\$100 million each, account for about 90% of the total accumulated capital.⁴⁵ German, Austrian, US, Canadian, and Italian companies are the most active on the Moscow market. On the whole, Moscow accounts for 29.3% of Russia's foreign trade turnover, including 27.1% of exports and 34.9% of the imports.⁴⁶

Moscow has made active use of foreign and domestic investments to build shopping malls and business centers. Three of the projects, designed to become the new face of the city, are most noteworthy: the *Okhotnyi Riad* shopping mall on Manezhnaia Square, the Moscow international business center (MMDC) *Moscow-City* on the Krasnopresnenskaia embankment, and *Gostinyi Dvor* located next to Red Square. The *Okhotnyi Riad* shopping mall was opened on the 850th anniversary of Moscow; it is the most up-to-date underground shopping mall in Russia located on Manezhnaia Square. Muscovites have already nicknamed it "the Museum of Prices" as it is very expensive.

Luzhkov's most large-scale investment project, however, is the construction of the Moscow international business center (MMDC) *Moscow-City*, which cost

42 "200 krupneishikh predpriatii Rossii" (The 200 largest enterprises of Russia). *Ekspert*, no. 37 (2000).

43 Orlov, Valerii Ya. "Vneshniaia politika i rossiiskie regiony" (Foreign policy and regions of Russia). *Mezhdunarodnaia zhizn'*, no. 10 (2000).

44 "Ob'em inostrannykh investitsii" (Volume of foreign investment), Mosgorkomstat web site (http://www.mosstat.ru/st_cosek.htm).

45 *Ibid.*

46 Orlov, Valerii Ya. "Vneshniaia politika i rossiiskie regiony" (Foreign policy and regions of Russia). *Mezhdunarodnaia zhizn'*, no. 10 (2000).

US\$8 to 9 billion to build on the Krasnopresnenskaia embankment.⁴⁷ A first in Russia and Eastern Europe, the MMDC will include a business activity zone to meet business, accommodation, and leisure needs. The project also specifies the construction of a high-speed transportation system from the MMDC to Sheremet'ev-2 airport.

Finally, the third major project of 1998-2000 is the reconstruction of *Gostinyi Dvor*, which was completed in 2000. It was to become a competitor of such recognized trading centers as GUM, TSUM and the Petrovskii Passage. In the course of its reconstruction, Luzhkov had great expectations for *Gostinyi Dvor*, seeing it as Moscow's future Hyde Park.⁴⁸ The lengthy renovation period, however, proved catastrophic for its popularity: "Muscovites, while traditionally choosing the nearby Red and Manezhnaia squares for walks, and GUM with its numerous branches for shopping, forgot that there was another place of interest in the backyard of the main ones".⁴⁹

Meanwhile, the Moscow leadership has made consistent efforts to gain international recognition in the last decade of the 20th century not only through major investment projects, but also through sports. The main emphasis was put on updating the sports infrastructure. Since 1992, Moscow has annually hosted the Kremlin Tennis Cup. The prize fund and the rating of the tournament have grown so fast that in 1999 and 2000, some of the best tennis players in the world participated. The Union of European Football Associations (UEFA) held the last ever final of the UEFA European Champion Clubs' Cup in Moscow in the spring of 1998.

Luzhniki stadium was renovated for this purpose and became the best stadium in Russia, and one of the best in Europe. In the framework of the International Olympic Committee (IOC), the World Junior Games were held in Moscow in 1998. Although the 1998 crisis, along with the re-distribution of the tax basis in favor of the federal center in 2000, forced the Moscow leadership to amend its plans for the future, there is no doubt that the city will continue to use sports in its PR campaign to promote Moscow's potential.

The paradox of Moscow lies in the fact that it still does not have a law on investment activities, while being the main recipient of foreign investments in Russia. This is largely due to the authorities' desire not to have their "hands tied by the law" to allow free economic maneuvering. An important factor that is slowing down the investment activity is the lack of federal, and consequently municipal law, on private ownership of land. Under the circumstances, investors

47 "Moskva-Sity" (Moscow-City), web site MMDTS "Moscow-City" (<http://www.moscowcity.ru/mcity/r1.html>).

48 Bychkova, Yekaterina. "Gostinyi dvor na zadvorkakh" (Gostiny Dvor takes a back seat). *AIF-Moskva*, no. 42 (2000).

49 *Ibid.*

are granted the lease of land plots for up to 49 years, with a possible extension to 99 years.⁵⁰ In the future, the city authorities plan to set up their own insurance funds in foreign banks and use them as guarantees of the Moscow government.

In order to attract foreign investments, Moscow has issued municipal bonds with a 182-day maturity.⁵¹ The process of issuing and placing bonds started in February 1997, and the annual interest rate of 30.69% exceeded the then interest rate for GKO (*Gosudarstvenii Kratkrasrochnii Obligatsii*, state short-term bonds). All in all, Moscow issued three sets of Eurobonds: for US\$500 million, for 500 million Deutsche Mark and for 400 billion Italian Lire.⁵²

It is not surprising that the banking crisis of August 1998 considerably undermined this form of borrowing by the Moscow authorities on the international market, and that it put Moscow at risk of defaulting on international payments throughout 1998 and 1999.⁵³ In 1999 and 2000, Moscow managed to avoid defaulting by means of partial debt restructuring and annual debt payments. Thus, the city managed to repay a large Eurobond loan of US\$500 million in the spring of 2000, followed by several others.⁵⁴ Moreover, the municipal budget income increased by 1.5 times in 2000 over 1999, creating an opportunity to considerably reduce the debt to foreign lenders.⁵⁵ It was therefore decided to allocate the excess of receipts of 9'404'329'000 Rubles (about US\$335.8 million) over the expenses in the 2001 Moscow budget for the repayment of the state debt of the city of Moscow.⁵⁶

In order to develop international cooperation and promote the products of Moscow enterprises on local markets, trading houses were opened and are being actively used abroad. At present such houses have been opened or are soon to be opened in Spain, Israel, Bulgaria, Finland, Greece, Germany, and China.⁵⁷ In addition, 'Moscow Day's' are held in European cities and regions. Such activities were, for instance, held in Vienna, Helsinki, and Munich.⁵⁸ The Moscow mayor's office has established contacts and has had meetings with representatives of the municipal authorities of Athens, Santiago, Ulan-Bator, Berlin, Helsinki, Havana,

50 Tolkachev, O. M. "Stroit', vladet', peredavat'" (Build, own, transfer), Moscow City Hall's official site (<http://www.mos.ru/moscows2000.htm#19>).

51 "Moscow issues municipal bonds." *EWI Russian Regional Report*, no. 8 (1997).

52 Kibal'nik, Yelena. "Grozit li Moskve defolt?" (Moscow faces default?). *AIF-Moskva*, no. 44 (1999).

53 "Moscow city faces possible default." *EWI Russian Regional Report*, no. 16 (1999).

54 Prishvin, Anton. "Moskovskaia dolgoterpimost'" (Muscovite long-suffering). *Itogi*, no. 3 (2001).

55 "O biudzhete goroda Moskvyy na 2001 god" (On the Moscow City budget for 2001), Moscow City Duma official site (<http://www.duma.mos.ru/cgi-bin/mgd/law1html?900,1>).

56 *Ibid.*

57 "Vneshneekonomicheskie sviazi" (External economic links), Moscow City Hall's official site (<http://www.mos.ru/progr/doc1999.htm#18>).

58 *Ibid.*

Delhi, Hanoi, Pretoria, and Tunis.⁵⁹ Such wide coverage shows both a wish to resume (or continue) cooperation with traditional partners of the Soviet Union, as well as an intention to establish new contacts.

Moscow maintains broad international ties through universities. The Moscow State University (MGU) collaborates with leading world universities, including the Universities of Stanford, Cambridge, and Copenhagen, the University of Nagoya (Japan), the University of Ulm (Germany), New York State University, Harvard and the Massachusetts Institute of Technology (USA).⁶⁰ Leading lecturers of Moscow universities are invited to give lectures and exchange experiences in foreign universities and scientific centers, and branches of various foreign academic institutes have been opened and function in a number of Moscow universities. Cultural centers of Germany (the Goethe Institute, German Academic Exchange Service, German Culture Society) and Britain (the British Council) work in Moscow, and the EU and NATO documentation centers are also popular.

Moscow's foreign links essentially intended to meet two objectives: the development of municipal relations and use of external contacts to study international expertise, and the promotion of Moscow's potential in order to attract foreign investors. In the past years, the Moscow authorities have managed to use international links both to increase foreign investments in municipal projects and to carry out a successful PR campaign on modifying the image of Moscow in the eyes of foreign investors.

It is interesting that the Moscow mayor prefers not to back Moscow's foreign economic strategy with theoretical schemes, but chooses to rely on pragmatic goals and common sense. Luzhkov's worship of the "Chinese model" of reforms, voiced at the investment forum Moscow-Invest '99, expresses his personal vision of how to integrate the Russian economy into global business.⁶¹ Luzhkov apparently likes the Chinese model because it lets the state maintain the "commanding heights" in the economy (Luzhkov does not conceal his disapproval of the privatization of Russia's "natural monopolies"), it takes into account the national interests in foreign policy, has a program of reforms, and provides extensive rights to competitive regions for foreign economic activity.⁶²

59 "Itogi 1998 goda" (Results of 1998), Moscow City Hall's official site (http://www.mos.ru/n_mch/itog1998/econ_pol/e_p_150.htm).

60 Savitskaia, Natal'ia. "Attestat zrelosti dlia rossiiskogo obrazovaniia" (A school-leaving certificate for Russian education), an interview with Viktor Sadovnichii, National News Service web site (<http://www.nns.ru/interv/int2953.ru>).

61 "Luzhkov addresses Moscow investors' forum." *EWI Russian Regional Investor*, no. 33 (1999).

62 Luzhkov is known for his critical attitude towards the policy of Viktor Chernomyrdin, which he once characterized as "chaotic reforms". For more information see Luzhkov, Yu. M. "Egoizm vlasti" (Egoism of state authorities), Moscow City Hall's informational site (<http://www.info.mos.ru/mer/doc1/htm>).

The role of the criminal factor in the economy and the foreign ties of Moscow

While the Moscow government has been quite successful in its activities relating to foreign markets, a number of circumstances gave rise to questions regarding the implementation of the city's investment projects. Crime has become one of the most significant factors of the city's economy. This was made evident by the attempted murder of the vice-premier of the Moscow city government, Iosif Ordzhonikidze, on 19 December 2000. For nine years, Iosif Ordzhonikidze had been responsible for international contacts, foreign investments, as well as tourism, hotels and the gambling business in the Moscow government. On the whole, the vice premier had been given exclusive authority for doing business, making decisions and signing contracts in the above areas.⁶³ The value of current contracts for the construction and reconstruction of facilities in 2000 alone, for instance, exceeded US\$1.8 billion.⁶⁴

Following the attempted murder of this top Moscow official, the journal *Kommersant'-Den'gi* published some questionable (from its point of view) economic decisions made by the government's vice-premier which could have led to discontent in criminal circles. In particular, it mentioned the vice-premier's decision to close a number of Moscow casinos and grant them facilities in a gambling town in Nagatinskaia poima by way of compensation. Meanwhile, the said town was never built, and the construction of a Formula 1 track began in its place.⁶⁵ Among other dubious acts, the article mentioned the ousting of Paul Tatum, co-owner of the Radisson-Slavianskaia hotel, "not unaided by Ordzhonikidze", as well as the spending of funds on municipal programs that were inconsistent with the city budget.⁶⁶

Meanwhile, the magazine *Ekspert* gave its own version of the incident. It considered the attempted murder of Ordzhonikidze in the context of the privatization program of the Moscow government. On 13 December 2000, the Moscow City Duma adopted a list of objects of state and municipal property to be privatized in 2001 in the first reading. The list contained 69 facilities, including pharmacies, industrial enterprises, and hotels. Privatization of the latter (the Belgrade and Leningradskaia hotels, and the Pekin and Volga hotel complexes) would have given the municipal administration 100% of the shares – a procedure that "could easily seem immodest". "The attempted murder of Ordzhonikidze", according to the journal, "can therefore be considered as a warning of sorts, for instance, before the second reading of the privatization program".⁶⁷

63 See the list of responsibilities of Iosif Ordzhonikidze (http://www.mos.ru/cgi-bin/alpha/1st_rubr?67,1509).

64 Landa, Marina and Denis Viksne. "Pokushenie na vitse-prem'era pravitel'stva Moskvyy" (An attempt upon Vice Prime Minister of the City of Moscow). *Nezavisimaia gazeta*, no. 240 (2000).

65 Topol', Sergei. "Tainy moskovskogo dvora" (Secrets of the Moscow City Hall). *Kommersant'-Den'gi*, no. 51 (2000), p. 11.

66 *Ibid.*

67 "Pokushenie v pervom chtenii" (An attempt in the first reading). *Ekspert*, no. 49 (2000).

The attempted murder of the vice-premier of the Moscow government caused unexpected resonance. Information has come forth that the federal authorities, having a complicated relationship with the Moscow mayor, were given a pretext to check the financial and economic activities of the Moscow government through the Ministry of Internal Affairs (MVD) and the Prosecutor General's Office.⁶⁸ This has another interesting implication. At a personal meeting between the acting president of the RF, Vladimir Putin, and the mayor of Moscow, Luzhkov, the latter was asked to "dismiss the most notorious, in the eyes of MVD, members of the Moscow government", including Vladimir Resin, Oleg Tolkahev, Vladimir Malyshkov, Leonid Krasnianskii, and Ordzhonikidze.⁶⁹ Luzhkov, who has demonstrated loyalty to his political allies at all times, refused to meet the demands of the federal power.

This conflict, which has practically disappeared over the last six months, resurfaced again in an unexpected way: from the end of January to the beginning of February, the Prosecutor General's Office accused three top officials of the Moscow government – Malyshkov, Tolkahev and Ordzhonikidze – of pocketing US\$1.3 million. According to the investigation, US\$1.5 million were allocated for the purchase of foreign equipment for the Russian Bistro fast food chain. The actual value of the equipment, delivered a year later, did not exceed US\$200'000.⁷⁰ Such conflicts, in combination with the aggravated relationship between Moscow and the federal authorities (which is analyzed in the third part of this paper), could seriously mar Moscow's investment image and the reputation of the Moscow government.

Meanwhile, Moscow is slowly but consistently acquiring the dubious reputation of being the "criminal capital" of Russia from St Petersburg. Ordzhonikidze was far from being the first prominent victim of a murder attempt by criminal circles. From February 1994 up until December 2000, the following officials were murdered, survived an attempted murder, or were brutally beaten: Aleksandr Aleshin (deputy prefect of the Eastern Okrug of Moscow), Aleksei Chistilin (head of the directorate of property maintenance of the Moscow government's department of education), Svetlana Zarubina (deputy sub-prefect of Tverskoe territorial uprava), Aleksei Baryshnikov (head of a sector of the transportation and communications department of the Moscow government), Valerii Shantsev (vice mayor of Moscow), and Liubov' Kezina (head of the Moscow government's department of education).⁷¹

68 Zheglov, Aleksandr. "Streliaiushchiaia ekonomika" (A shooting economy). *Segodnia*, no. 283 (2000). – Interplay between Moscow city and the federal center are more detailed covered in the third part of this paper.

69 Topol', Sergei. "Tainy moskovskogo dvora" (Secrets of the Moscow City Hall). *Kommersant'-Den'gi*, no. 51 (2000), p. 12.

70 "Ofitsial'no!" (Officially!), TVC channel web site (http://www.tvc.ru/news/010201_14.html).

71 Topol', Sergei. "Tainy moskovskogo dvora" (Secrets of the Moscow City Hall). *Kommersant'-Den'gi*, no. 51 (2000).

One of the liabilities of the Moscow authorities is the fact that people generally equate the power system in Russia with the power system in Moscow. This has led to Moscow's negative image among Russian provinces and abroad. There are advocates of this perspective both in the province and the "second capital", St Petersburg. A St Petersburg professor argues that St Petersburg, as the city of spiritual culture, is opposed to Moscow, the city of merchants and "new Russians".⁷²

The above examples show the gravity of the said problem. Kirienko believes that not only are "power and crime interlocked" in Moscow, but also that crime itself exists both in the shadow and in a "legal" form.⁷³ As a consequence, power is much more dependent on crime than on mechanisms of democratic and legal control. Combined with the authoritarianism of the metropolitan power, the fusion of crime and corruption puts Moscow under the threat of losing the trust of its foreign partners, which can only be an impediment in the pace of international cooperation.

2.2 Moscow's foreign policy: aims and prospects

Throughout the 1990s, Moscow's political and economic elites formulated their own foreign political priorities and, notwithstanding periodic disagreements with the official position of the center, made constant attempts to implement them. Three major directions can be specified in the policy articulated by the Moscow group. One direction is the continuation of relationships with former Soviet republics. In contrast to the central authorities, who practically disrupted the relationships with the CIS countries in the past 10 years, Luzhkov and his circle have continued to cooperate with them, having placed cooperation on a market basis, or semi- or quasi-market basis.

Relations with Belarus, which built close economic ties with Moscow exactly at the time of the Kremlin's propaganda war against the Lukashenko regime, are a vivid case in point. In 1995-1996, in order to spite the Kremlin, Luzhkov signed some major contracts for the delivery of trolley busses and machinery for the communal needs of the city to Moscow, and also supported Lukashenko's policy even during the constitutional crisis in Belarus.⁷⁴ For the latter, Luzhkov's support, including a personal visit to Minsk on 5 December 1995, meant an opportunity to establish contacts with the regional leaders without the Kremlin's support.

The main themes of Moscow's relations with CIS and Baltic countries are economic ties and the support of compatriots in the former Soviet republics. The

72 "Moscow v. St. Petersburg." *EWI Russian Regional Report*, no. 6 (1998).

73 Andrusenko, Lidia. "Sergei Kirienko: "My mozhem sdelat' zhizn' v Moskve deshevle"" (Sergei Kirienko: We can make the living costs in Moscow cheaper). *Nezavisimaia gazeta* (http://ng.ru/politics/1999-12-01/3_kirienko.html).

74 "Vizit mera Moskvyy v Minsk" (A visit of the mayor of Moscow to Minsk), National News Service web site (http://www.nns.ru/analytdoc/ims/obzory/sv15_16.html).

said support has both humanitarian (building schools for the Russian-speaking population, printing textbooks) and political aspects. The latter include public support and negotiations on the fate of Russians living in the republic of Crimea and Zaporozhskaia Oblast (Ukraine), officially unrecognized parts of Moldavia Pridnestrov'e and Gagauziia, Minsk Oblast (Belarus), Northern Kazakhstan, as well as the capitals of other CIS and Baltic States.

Other facets of the policy implemented by Luzhkov and his team are the Ukrainian aspect or the issue of Crimea and Sevastopol'. Luzhkov used to be the most active critic of Russia's policy towards Ukraine. He was most adamant about the federal authorities' neglect of such an important issue as the status of Crimea during the talks with Ukraine. He believed that Russia had a legal case in its dispute about the Crimean peninsula, which was handed over to Ukraine by Khrushchev without the formal approval of the presidium of the Supreme Council of the USSR.

Having received no substantial support on this issue from the center, immersed in domestic political problems, Luzhkov launched an active political and economic campaign in support of the Russian-speaking population of Crimea, which had expressed a wish to become autonomous from the Ukrainian authorities. Luzhkov once again expressed his disagreement with Russia's recognition of Sevastopol' as a Ukrainian city.

In order to draw attention to the problem, Luzhkov initiated hearings on the status of Sevastopol' in the Federation Council (FC) on 5 December 1996. With the active participation of the Moscow mayor, a special statement of the FC was approved, and a commission was set up to prepare a legal act on the status of the city of Sevastopol'.⁷⁵ Luzhkov paid a personal visit to Sevastopol' in January 1997 to give moral and economic support, in spite of the resistance of the Ukrainian authorities. From the early 1990s until the present day, Luzhkov has been busy building social infrastructure facilities such as kindergartens, schools, and living quarters for the servicemen of Russia's Black Sea Fleet and their families, and has been renovating and constructing the House of Officers of the Fleet, a rehabilitation center for WWII Veterans, the Navy Hospital, and the Headquarters of the Black Sea Fleet in Sevastopol'.⁷⁶

The signing of the "Treaty on Friendship, Cooperation and Partnership between the Russian Federation and Ukraine" on 31 May, 1997, as well as other bilateral agreements which confirmed Ukrainian sovereignty over Sevastopol'

75 Zorkal'tsev and Podberezkin, *Op. cit.*

76 Resin, V. I. "Moskovskoe stroitel'stvo: 90-e gody" (Construction in Moscow in the 90s), Moscow city Hall's official site (<http://www.mos.ru/moscows2000.htm#16>).

and Crimea, dealt a heavy blow to Luzhkov's plans.⁷⁷ The ratification of the treaty in the Federation Council, with 106 votes in favor and 25 against, disrupted Luzhkov's efforts to revise the agreements between Kiev and the Kremlin.⁷⁸

According to some analysts, the efforts to regain Sevastopol' became a main point in Luzhkov's campaign in order to attract the patriotic-minded electorate in the upcoming 2000 presidential elections.⁷⁹ It is important to remember that Luzhkov, while holding the office of the mayor of Moscow, never ceased to be a politician of federal importance, whose interests extended far beyond the Moscow Ring Road. By giving priority to the problems of Crimea, the CIS and the Russian-speaking population, Luzhkov tried to channel Russia's idealistic foreign and security policy along pragmatic lines.

Without doubt, an ambitious politician such as Luzhkov could not help striving for the post of prime minister; the more so since he had been close to being appointed at least three times: after the 1996 presidential election, after Viktor Chernomyrdin's resignation in March 1998, and after the August crisis of the same year. This largely explains the fact that Luzhkov, while challenging the policies of the Russian government, has always underlined his personal loyalty to Yeltsin.

In the second half of the 1990s, along with the growth of the Moscow mayor's authority, Luzhkov started to establish international contacts with mayors, leaders of political parties and representatives of foreign countries. These contacts reached their high point during Luzhkov's presidential election campaign. Luzhkov preferred European countries for his trips abroad. In particular, he visited Austria, France, Sweden, Italy, Germany, Slovakia, and Finland. In the course of these visits he held negotiations with top political leaders and mayors of the capitals of the said states, leaders of public organizations and movements. Outside of Europe, the Moscow mayor chose to visit countries such as Canada, Mongolia, South Korea, Japan, China, India, and South Africa.

In their turn, 25 official foreign delegations visited the Russian capital in 1999 on invitation of the mayor and administration of Moscow. Over 250 meetings took place that year between members of the Moscow government and political and state figures, and representatives of business circles of many countries.⁸⁰

77 So, in the Declaration between Russia and Ukraine signed on 31 May 1997 both sides agreed on a 20-year lease of Black Sea naval base by the RF, and, consequently, on recognition of Sevastopol' as Ukrainian territory. See the texts of treaties and agreements between Russia and Ukraine in Shakleina, T. A., ed. *Vneshniaia politika i bezopasnost' sovremennoi Rossii* (Foreign policy and security of contemporary Russia). Moskva: MPSF, 1999.

78 Pachegina, Natal'ia. "Slezam Moskvyy ne veriat." (No trust in tears of Moscow). *Profil'*, no. 6 (1999).

79 "Budet li Luzhkov prezidentom?" (Will Luzhkov be the President?), National News Service web site (<http://www.nns.ru/analytdoc/luzprez.html>).

80 "Vneshnepoliticheskie i munitsipal'nye sviazi" (Foreign political and municipal links), Moscow City Hall's official site (<http://www.mos.ru/progr/docl1999.htm#67>).

The mayor of Moscow met with well-known political figures of the UK, the USA, Germany, Turkey, Yugoslavia, Israel, Canada, and other countries. More than 140 Muscovite delegations traveled abroad in the framework of inter-municipal contacts to participate in international conferences and seminars.

While summarizing the foreign political activities of the Moscow elite throughout the 1990s, it is worth mentioning a number of peculiarities that reflect the goals, incentives and preferences of representatives of the elite in the international arena. Above all, there has been an evident continuous positioning of aims and interests of the Moscow elite against the aims and interests of the federal center in foreign policy and international affairs. In spite of the fact that international cooperation, the support of the Russian-speaking population in the republics of the former Soviet Union, and issues of reintegration within the framework of the CIS were basic objectives at different stages of the foreign policies of both the center and Moscow, they never coincided chronologically.

Thus, while Moscow was busy developing contacts with the CIS republics, especially with Belarus, the central power emphasized its lack of interest towards its former Soviet Union neighbors. In the second half of the 1990s, when the central power started to show interest towards a union with Belarus and prioritized the cooperation with CIS countries in Russia's foreign policy, the Moscow leadership, headed by Luzhkov, entered the international arena, and was gaining authority and demonstrating Moscow's ability to implement large-scale international projects. It can therefore be concluded that the Moscow political, intellectual and business elites directly or indirectly challenged the federal elite in the areas of economy, politics and business. Moscow strove to be a length ahead of the federal center in all its initiatives.

By raising the issue of Crimea and Sevastopol', the Moscow mayor tried to draw the center's attention to the complicated issue of the unsolved problems of the Soviet legacy. Making the revival of economic relations with Belarus and other CIS countries his priority, Luzhkov let it be known that he had doubts about the amorphous foreign political course of President Yeltsin. Developing Moscow's international economic and political ties in the second half of the 1990s, Luzhkov opposed the national foreign policy with a policy that was based upon real economic interests in contrast to the less developed and substantiated ones of the federal center.

The Moscow mayor's defeat at the parliamentary elections, and his refusal to be nominated for the presidential elections radically changed the basis of the relationship between the Moscow authorities and the federal center. It put forward the issue of preserving the independence of the regional leaders, including Moscow's, in the face of the commencing distribution of power and property. Under Putin, the Moscow government has been forced to concentrate on internal municipal problems and to substantially reduce the existing volume of foreign contacts. This was not so much the result of the complicated financial situation of

the Moscow government, but rather a consequence of the corruption charges brought against the Moscow officials by the investigation committee of the Ministry of Internal Affairs (MVD) of the RF, which required a thorough check-up of the Moscow government's dealings.⁸¹

The pressure exerted upon Luzhkov's surroundings by the investigation committee of the MVD and the Prosecutor General's Office will quite likely make the forecasted dampening in the Luzhkov-Putin relationship a serious factor in slowing down the external activities of the capital and in reducing its role in the internal Russian context. In the end, the preservation of the existing line of Moscow's foreign policy equally depends upon both the further fate of the individual representatives of the Moscow elite and on the set of rights the stronger federal center is willing to grant to the Moscow government in the said sphere.

The foreign links of Moscow's government and business elite have been distinguished for the past decade by a diversity of priorities under an unchanging pragmatic approach. The main motivation for the external activities of the Moscow authorities has been their desire to emphasize the increased role and importance of Moscow as the integration center in the post-Soviet area, as well as to demonstrate the authority of the Russian capital in Europe and around the world.

81 "Sledstvennyi komitet pri MVD vnov' obrashchaet vnimanie Luzhkova na korruptsiiu sredi chinovnikov" (MVD's investigation committee repeatedly draws attention of Luzhkov to corruption deals among Moscow City Hall's staff), Polit.ru site (<http://www.polit.ru/documents/333357.html>).

Moscow's interaction with the federal center in foreign and security policy

The third part of this paper aims to follow the stages of relations between the region and the center, and to study those aspects of interaction which have determined the potential, competence and ability of the city of Moscow to implement its foreign policy and carry out international projects. In particular, Chapter 3.1 shows the recent history of the relationship (from 1991 to 2001) of Moscow and the federal authorities. Chapter 3.2 studies issues of interaction between the federal center and the region in the realm of foreign policy. Chapter 3.3 evaluates the impact of Putin's administrative reform on the character and forms of relationship between Moscow and the federal authorities, as well as the consequences of the administrative reform for the foreign political and economic links of Moscow.

3.1 Practice of interaction

The Moscow mayor's loyalty to Yeltsin has been characteristic of the first stage of the relationship between the Moscow government and the Kremlin. This has allowed him to be one of the first to make use of the president's appeal to "bite off as much power as you are able to swallow".⁸² On 28 August 1991, the president of the RF issued a decree regarding the executive bodies of the Moscow authorities, which gave the mayor of the city and "those people authorized by him" the right to "manage the municipal property and land on their own".⁸³ The

82 Zorkal'tsev and Podberezkin, *Op. cit.*

83 *Ibid.*

president's decision created opportunities for the concentration of economic power in the hands of Moscow's executive power.

Throughout the 1990s, political stability was characteristic of the region. This was largely due to the continuity of power and its economic and political course. In all those years, the power never fell into the hands of the opposition, moreover, it was always concentrated in the hands of the same person – namely the mayor of Moscow, Luzhkov. As a consequence, one of Russia's strongest group was formed by the nomenclature and the political Moscow and flourished. At different stages, it has included state figures (Luzhkov, Platonov), politicians (Shumeiko, Nikolaiev), top officials (Lobov, Borodin), financiers (Yevtushenkov, Gusinskii), economic managers (Shantsev, Resin, Nikol'skii, Ordzhonikidze), and the mass media. These were all grouped under the criteria of relative uniformity of political and economic interests.

An additional important factor, which ensured a stable position and steady development for Luzhkov and Moscow in the early 1990s, was the mayor's acceptance to Yeltsin's inner circle, as well as the personal friendship between the president and the Moscow mayor. In one of his earlier interviews with the newspaper *Prezident*, Luzhkov said that for him “one of my loves is Moscow, one is my wife, and one love is the president”.⁸⁴ During the difficult crises of Russia's executive – in August 1991, December 1992, March and September-October 1993 – the Moscow mayor provided active political, organizational and material support to the president.

Oleg Lobov, then secretary of the Security Council of the RF, was another person from Yeltsin's inner circle who was close to Luzhkov. The relationship between the “Moscow group” and the leadership of the law enforcement units reporting directly to the president was based on Luzhkov's close contacts with Minister of Internal Affairs Victor Yerin (both directly and through leaders of Moscow GUVd, the Municipal Department of Internal Affairs), and the Defense Minister Pavel Grachev.⁸⁵

Having promptly gathered a lot of resources in the federal field, Luzhkov managed to start the campaign in favor of a new mayoral elections by early 1993, and managed to keep his office with its practically single-handed management of the capital.⁸⁶ For these purposes, Yeltsin issued a decree On Yu. M. Luzhkov, which confirmed the latter's mayoral status on the grounds that he had been elected vice mayor in tandem with Popov in 1991.⁸⁷

84 “Moskovskaia gruppya – Prezident Rossii i gruppy ego lichnogo okruzheniia” (The Moscow Group – President of Russia and groups in his close circle), (<http://www.nns.ru/analytdoc/luzpr10.html>).

85 *Ibid.*

86 “Moskovskoe pravitel'stvo Yurii Luzhkova” (Moscow city government of Yurii Luzhkov), (<http://www.nns.ru/analytdoc/luzpr1.html>).

87 “Voina i mer” (War and mayor). *Kommersant' Vlast'*, no. 21 (1999).

Yeltsin's backing was of great use to Luzhkov a year later, when the 9th extraordinary Congress of People's Deputies of the Russian Soviet Federal Socialist Republic (RSFSR) demanded the dismissal of the mayor. Later, during the crisis of the executive and legislative power in September and October 1993, Luzhkov not only took the president's side, but also participated in an informal meeting with the then leadership of the Kremlin represented by Gaidar, Filatov, Burbulis and Shumeiko, where the presidential party's tactics were discussed.

In 1994, Luzhkov won a victory over Chubais' privatization plans regarding Moscow. "Privatization à la Luzhkov" was carried out in Moscow and significantly strengthened the capital's financial prosperity. It also provided the city's leadership with a means for the implementation of a wide range of municipal economic programs. Meanwhile, Luzhkov's adversaries could not help noticing the political ascent of the Moscow mayor. The year 1994 was one of intrigues and fights involving various political groupings that wanted to influence the president.

Chubais managed to make use of the president's doubts by playing upon Yeltsin's jealousy towards his political competitors and portraying Luzhkov as one of them. On 19 November 1994, the government-owned newspaper *Rossiiskaia Gazeta* published an article titled "Snow is falling" which was aimed against the "Most" group and Luzhkov. It declared that "a group of Moscow financiers and politicians [had] started the struggle in order to make their own candidate the president of Russia. This group doesn't care about a person's principles, but only that he should carry out their will. ... The financiers decided to bring forward Luzhkov".⁸⁸

The financial group Most, which was close to Luzhkov, was labeled "a party of moneybags" and a group eager to obtain power and political influence at any price.⁸⁹ Some time later, in a well-publicized incident, members of the president's security service (SBP) attacked the security service of the Most group. The Head of the Federal Counterintelligence Service (FSK) in Moscow and the region, Yevgenii Savost'ianov, attempted to obstruct the operation, which led to his own dismissal. There is no doubt that the attackers were backed by the head of the president's security service and aimed not only at Gusinskii, but at Luzhkov as well.⁹⁰ According to Liliia Shevtsova, "Yeltsin would not be Yeltsin if he did not feel jealous, and perhaps also suspicious of a politician who was steadily strengthening his position and becoming more and more independent".⁹¹

88 *ibid.*

89 *Ibid.*

90 Shevtsova, Liliia. *Rezhim Borisa El'tsina* (Regime of Boris Yeltsin). Moskva: ROSSPAN, 1999.

91 *Ibid.*

Throughout 1994 and 1995, the relations between Yeltsin's circle and the Moscow group remained strained. During this time, the federal government, influenced by Chubais, reduced the allocations to Moscow for performing its function as the capital. This led to a new scandal. On 20 February 1995, Luzhkov declared that the central authorities and other regions had actually put Moscow under an economic siege, thus disrupting the normal delivery of food supplies to the city.⁹²

On 1 March 1995, the well-known TV personality Vladislav List'ev was murdered. This crime caused an eruption of the political landscape in the city. The president dismissed the public prosecutor, Gennadii Ponomarev, and the head of GUVVD, Vladimir Pankratov. Luzhkov was on the verge of losing power, but survived mainly because Yeltsin demanded that Luzhkov and Korzhakov should make peace.

As the 1995 parliamentary elections and the 1996 presidential elections approached, no trace of Luzhkov's past grudges remained: during the election to the State Duma, Luzhkov backed the NDR (Our Home is Russia) and emphatically demonstrated his solidarity with President Yeltsin at the 1996 presidential elections. The renewal of the Yeltsin – Luzhkov friendship had a practical impact on the presidential election results in Moscow: in the first round Yeltsin came ahead of Russian Communist Party chief Gennadii Ziuganov with 61.16% against 14.85% of the votes, and won in the second round with an overwhelming majority of 77.29% against 17.93% for Ziuganov.⁹³

While the year 1997 did not bring any visible changes in the relationship between Moscow and the federal authorities due to the president's illness, the year 1998 became a decisive one for their imminent separation. It is likely that the starting point for the escalation of tension was the so-called round table regarding the nomination of the future prime minister of the RF in April 1998. At the round table meeting the left-wing opposition proposed Stroevev, Luzhkov and Ziuganov to the post, but Yeltsin insisted on nominating Kirienko.

With the economic crisis that broke out in August 1998, and with the resignation of the Kirienko government, the issue of a new premier of the government resurfaced. Stroevev, Luzhkov and Chernomyrdin were again among the candidates. After meeting with Yeltsin in the Kremlin on 28 August 1998, all three of them declared that under the circumstances, they would put aside all their personal ambitions and work together to overcome the current difficulties.⁹⁴ Undoubtedly, the post of prime minister would have been an ideal jumping-off position for Luzhkov in his pre-election game. Yeltsin and his administration, however, also realized this and did not want such a dangerous competitor as the

92 Zorkal'tsev and Podberezkin, *Op. cit.*

93 *EWI Moscow City*, 17 November 1999.

94 Zorkal'tsev and Podberezkin, *Op. cit.*

Moscow mayor to be strengthened. It is significant that the president's press secretary, Sergei Yastrzhembskii, and the secretary of the Security Council, Andrei Kokoshin, who had voiced their support of Luzhkov, were immediately dismissed.⁹⁵

Soon afterwards, on 14 September 1998, the mayor of Moscow spoke of the necessity to adapt the Russian Constitution to the changed political balance in the country. In particular, Luzhkov pointed out that Russia needed to shift from the presidential to a parliamentary form of administration.⁹⁶ He did not stop there: on 30 September 1998, he spoke in London of his intention to take part in the next presidential elections, and started to organize the "Fatherland" movement upon his return to Moscow.⁹⁷

Luzhkov's actions were prompted by several factors. The first was the paralysis of the federal power, which at the time had neither the strength nor the will to prepare for the coming elections, or even to form an effective government. A string of personal grudges that Luzhkov harbored against the federal power as represented by Yeltsin, who was suspicious of the policies of the Moscow authorities, also played a certain role. Luzhkov's lack of sophistication in the administrative intrigues and his willingness to set up a pre-election movement within the legally specified time frame were crucial.⁹⁸ His decisive political error, however, was his underestimation of the Kremlin team and his lack of confidence in its ability to promote its own candidate.

In December 1998, Luzhkov registered the "Fatherland" movement and convened its first congress, which was attended by metropolitan and regional officials and distinguished by its luxurious surroundings. He delivered a programmatic speech, which contained direct accusations of Yeltsin regarding the disintegration of the country and its economy.⁹⁹ Responding to the mayor's accusations, Yeltsin said that some people were "running ahead of the locomotive" by starting the election campaign ahead of schedule. Political observers saw this as an unambiguous warning to the Moscow mayor.¹⁰⁰

The 1999 election campaign revealed a number of significant weaknesses of Luzhkov's team, such as the bureaucrats surrounding him, the lack of a real election strategy, the unconvincing behavior of the mayor himself, and the lack of

95 Slavutinskaia, Inessa, Mikhailov, Vladimir and Dmitrii Starostin. "Odin na vsekh, i vse na ognogo" (One against all, and all against one). *Profil'*, no. 1 (1999).

96 Zorkal'tsev and Podberezkin, *Op. cit.*, p. 483.

97 *Ibid.*

98 For example, political technologists and authors of the "Yedinstvo" (Unity) movement decided to form a rather virtual electoral movement based on marginalized political units. This allowed the leaders of "Yedinstvo" to put off the creation of the functioning party until the post-electoral period.

99 Shevtsova, Liliia. *Rezhim Borisa Yel'tsina* (Regime of Boris Yeltsin). Moskva: ROSSPAN, 1999, p. 419.

100 Slavutinskaia, Inessa, Mikhailov, Vladimir, Starostin, Dmitrii. "Odin na vsekh, i vse na ognogo" (One against all, and all against one). *Profil'*, no. 1 (1999).

agreement regarding the actions of the old and the new teams.¹⁰¹ In addition, the December 1999 parliamentary campaign saw an unprecedented display of passions and was accompanied by the active use of slanderous propaganda, especially by the federal center.

The results of the 1999-2000 election marathon seriously undermined the position of the Moscow mayor. For the first time in ten years, going into opposition did not pay off. Luzhkov not only lost his former supporters and sympathizing federal officials, but was also blacklisted together with other governors who had to fight to stay in power in their regions. The weakening of Luzhkov's domestic political standing led to a reduction of external ties, but did not undermine them substantially. The main result was a natural decrease in the interest towards the politician who had been one of the presidential candidates before the election. Another factor that could influence Moscow's external activity is the proposed redistribution of the tax burden in favor of the federal center. Nevertheless, Moscow stands a good chance of finding additional resources and preserving its leading role in the sphere of international contacts among the Russian regions.

3.2 Forms of interaction

Moscow has made active use of various forms of interaction with the federal center in order to reconcile and protect its interests in the area of foreign economic policy and international contacts. At the legislative level, the terms of reference of the Moscow authorities in the said areas are reflected in the Constitution of the RF, the Charter of the City of Moscow, adopted by the Moscow City Council on 28 June 1995, as well as in the "Agreement on the separation of jurisdictions and authorities between government bodies of the Russian Federation and government bodies of Moscow, the city of federal importance" of 16 June 1998.

In accordance with Article 92 of the current Charter, Moscow has the right "to take an active part within its jurisdiction in the implementation of international agreements of the Russian Federation, and in the formulation and implementation of the country's foreign policy course on issues relating to the city's interests".¹⁰² The authority to perform Moscow's international contacts is shared by the mayor of the city and the Moscow City Duma. The terms of reference of the Moscow City Duma include: concluding agreements on cooperation with the representatives of foreign states, regions and cities; administration of international links with representative bodies of foreign cities and regions, international inter-parliamentary and other foreign organizations; participation in the work of inter-

101 During the election campaign, the former Yeltsin allies that had been fired by the president for supporting Yuriy Luzhkov (Yastrzhembskii, Boos, Kokoshin) joined the team of the Moscow mayor headed by the vice-mayor Shantsev, first deputy chairman of the Moscow government Resin, and head of the Moscow City Hall's press center V. Tsoi.

102 "Ustav goroda Moskvyy" (Charter of the Moscow City), Rosbizneskonsalting web site (http://www.rbcnet.ru/publ/zh_alm/07_mestso/07_04um.htm#g11).

national organizations whose activities are aimed at solving issues of municipal management, as well as inter-municipal cooperation; and control over the implementation of international contracts and agreements, signed by the government bodies of the city and its districts.¹⁰³

The head of Moscow's executive power, in turn, enjoys much more rights and carries more authority in his area. The mayor is in charge of the overall formation of the city's international and foreign economic links. His executive power also includes the signing of contracts and agreements on cooperation with foreign cities, regions, administrative and territorial units, and foreign legal entities; the conclusion of international agreements on borrowing foreign investors' funds with municipal property used as a collateral; the signing of contracts and agreements with executive bodies of foreign states and with other foreign partners; the establishment of the city's foreign economic structures and offices abroad; and participation in negotiations and conclusion of agreements with diplomatic and other representational offices of foreign countries and international organizations located in Moscow within the mayor's terms of reference and in compliance with international practices.¹⁰⁴

Moscow still has many opportunities to promote its interests at the federal level. The city's position is strongest in the Federation Council, where Luzhkov represents the executive power of the capital, and the chairman of the Moscow City Duma, Vladimir Platonov, represents the legislative power. Both of them hold key posts in this body. Luzhkov is a member of the Committee on Constitutional Legislation and Judicial and Legislative Issues of the Federation Council, and Vladimir Platonov performs the duties of the deputy chairman of the Federation Council. The Moscow mayor has used the Federation Council platform at least twice: when he raised the issue of the status of Sevastopol', and when the Federation Council took an active stand in defending the former Prosecutor General Yurii Skuratov.

In 1995-1999 the city's interests were represented in the State Duma by the "Regions of Russia" faction, and since 1999 the fourth largest faction "Fatherland – All Russia" has played a serious role in the legislative body. Since the new representative body of the regions, the State Council, was formed, Luzhkov has been playing a noticeable role there too. In particular, on request of Putin, he headed the State Council working group on the preparation of proposals regarding the system of state power and management bodies in the Russian Federation.¹⁰⁵

It is noteworthy that experts in Luzhkov's working group spoke in favor of substituting the agreements on the division of authority between the center and

103 *Ibid.*

104 *Ibid.*

105 "Po itogam zasedaniia rabochei gruppy 25 dekabria 2000 goda" (Results of the working group meeting on 25 December 2000), Institute for social systems site (<http://niiss.ru/nii/News/25dec.htm>).

regions with agreements “On specifics of the relationship between the federation and its constituent entity”. They also proposed to divide the sphere of shared responsibility of the federal and regional powers through the law, rather than through agreements (the approach favored by Mintimer Shaimiev).¹⁰⁶

Finally, an important channel of influence is formed by the mass media, which the Moscow mayor controls or which sympathize with him, in particular the newspapers *Moskovskaia Pravda*, *Vecherniaia Moskva*, *Moskovskii Komsomolets*, *Komsomol'skaia Pravda*, *Izvestiia*, *Trud*, *Ekho Moskvy* radio station, and the TVC TV Channel.¹⁰⁷ The latter has screened a series of “National Interest” programs, which attempted to reflect on the declared and the real content of this notion. In particular, the program questioned the central authorities’ adequate perception of society’s problems. In 2000 a new, improved version of the program was broadcast under the title “National Interest 2000”.¹⁰⁸

The center, in its turn, has effective instruments to control Moscow’s international activities. These include: the president of the RF himself, who determines Russia’s foreign political line as well as the concept of the foreign and security policy of the RF¹⁰⁹; the president’s administration, watching over the situation in the regions; and the head of the Central Federal District and his apparatus, whose task is to ensure compliance of regional laws with the federal legislation.

Meanwhile, even after the elections, the opposition between the federal and the Moscow authorities continued. There were more attempts to strip the Moscow mayor of leverage in association with law enforcement. At the end of 1999, the “pre-election” and scandalous dismissal of the head of Moscow GUVd, Nikolai Kulikov, took place. This was linked to the explosions in the residential buildings in Moscow in September 1999. Victor Shvidkin was appointed to the post without consultation with the Moscow mayor. This was the beginning of the conflict between the Moscow mayor and the head of the metropolitan police.¹¹⁰

According to the mayor, who constantly opposed Shvidkin’s appointment and refused to confirm his appointment, the “crime rate in the city increased by 41%” in the past year as a result of “the incompetent, ignorant and politicized administration of the police work”.¹¹¹ In response, the Ministry of Internal

106 “Po itogam zasedaniia rabochei gruppy 25 dekabria 2000 goda” (Results of the working group meeting on 25 December 2000), Institute for social systems site (<http://niiss.ru/nii/News/25dec.htm>).

107 “Luzhkov. Postoiannye kontakty, otnosheniia, sviazi” (Luzhkov. Permanent contacts, relations, links), National News Service web site (<http://www.nns.ru/Person/luzhkov/7.html>).

108 Vladimirova, Tat’iana. “Kiselev ishchet brata. Po razumu” (Kiselev is keen to find a brother. A bright one). *Tribuna*, 24 October 1999.

109 Thus, on 28 June 2000, President Putin determined a new “Foreign policy concept of the Russian Federation”.

110 Eryshev, Igor’. “Militsii ishchut nachal’nika” (In search for a new head of the Moscow police). *AIF-Moskva*, no. 3 (2001).

111 “Ofitsial’no!” (Officially!), TVC channel web site (http://www.tvc.ru/news/010201_14.html).

Affairs' leadership initiated criminal proceedings regarding the "possible misappropriation of one and a half million dollars from the city budget".¹¹²

Something similar happened to the finance minister of the Moscow administration, Yurii Korostelev, who was accused by the Prosecutor General's Office of the RF of abusing his power. He was prosecuted for converting part of the Moscow government's financial resources (about US\$200 million) into Media-most shares. This money was transferred to Most-Bank following the August 1998 crisis.¹¹³

This and other similar examples show the Kremlin's intention to revive the weak institutions of the federal power, thus changing the power balance between the center and the regions in its favor. In the case of Moscow, this means eliminating the movement towards regional power, which had appeared during the years when the federal power was idle. Some projects to segregate a federal district from the remainder of Moscow have emerged, modeled on Washington D.C. or Paris. The aim of this project is to divide Moscow into a zone of federal jurisdiction and a zone of regional jurisdiction. The project proposes to leave the performance of the capital's functions to the zone of federal jurisdiction, renaming it the federal center, and create a "Greater Moscow" out of the remaining part of Moscow and the Moscow Oblast.¹¹⁴

In the current situation, in which the federal power is seeking an optimal model to manage the country, and the regions are adapting to the changed conditions, both sides seem ready to begin their collaboration. The Kremlin, which is maintaining a rather hard line as regards Moscow, has invited the mayor to take part in occasional international projects. During his visit to Austria on 9-10 February 2001, Putin therefore spoke of inviting Luzhkov to take part in building an Austrian-style alpine ski village in the vicinity of Moscow. During his trip to Ukraine on 11 February, he also invited Luzhkov to participate in the construction project for a bridge over the Kerch straits.¹¹⁵

It seems as if a further escalation of the conflict (with personal motives coming to the fore) would not benefit any of the parties. It can therefore be supposed that the model of interaction between the center and the region regarding foreign

112 "MVD vzbudilo delo o krazhe 1,5 millionov dollarov iz biudzheta Moskvyy" (Ministry of Internal Affairs took legal proceedings against Moscow authorities and accused them of stealing US\$1.5 million from the Moscow budget), NTV channel web site (http://www.ntv.ru/russia/31Jan2001/meria_case2.html).

113 "U Luzhkova nashli 'delo Gusinskogo'" (Evidence against Luzhkov is found in "the case of Gusinskii"), National News Service web site (<http://www.nns.ru/chronicle/#news15:32>). See also Slavutinskaia, Inessa. "Moskovskoe bremia" (The burden of Moscow). *Profil'*, no. 2 (2001).

114 Kol'chik, Svetlana. "Moskva umen'shitsia do razmerov Tsentral'nogo okruga?" (Moscow to become as small as the central district?). *AIF-Moskva*, no. 4 (2001).

115 Sinitsyn, Veniamin. "Doroga v Krym stanet koroche i priiatnee" (The road to Crimea to become short and more comfortable), Gazeta.ru web site (<http://www.gazeta.ru/print/2001/02/12/dorogavkryms.shtml>).

relations will be restructured. The basic element of the new model is likely to contain a legislative confirmation of Moscow's rights and competences including the obligation to discuss major foreign policy issues with the Ministry of Foreign Affairs (MID) of the RF.

Moscow's interaction with the Central Federal District

Compared to the contentious relationship between Moscow authorities and the center, the relationship between the city and the head of the Central Federal District is not confrontational. According to Georgii Poltavchenko, who was appointed head of the Central Federal District on May 18, 2000, Moscow is not "the most obstinate entity", but just the opposite, namely "the most powerful and singular region".¹¹⁶ In his turn, Luzhkov supported the establishment of federal districts and the introduction of a three-link management system to replace the two-link one.¹¹⁷

It is interesting that Luzhkov was one of the first to voice the idea of "enlarging the regions". Speaking at a congress on "Russia-Belarus: Past, Present, Future" on 26 February 1997, Luzhkov proposed his own model of Russia's administrative organization. In his opinion, the Russian Federation has too many constituent entities; 10 or 12 major territorial units would suffice.¹¹⁸

Luzhkov elaborated on his idea in his September 1998 speech, which was addressed to heads of the constituent entities of the federation belonging to the "Central Russia" association on transforming inter-regional associations into an intermediate hierarchical link.¹¹⁹ Judging by the above statements, the mayor of Moscow somehow considered the regions bordering on Moscow as an expansion sphere for metropolitan money, although he didn't suppose that the process of enlarging the administrative units would be initiated by the federal center.

Contrary to expectations, Georgii Poltavchenko responded quite calmly to the issue of registering people traveling to Moscow, one of the main points of discord between the federal and the Moscow authorities. On the one hand, he agreed with the decision of the Constitutional Court, which ruled to consider the existing practice a violation of the federal legislation. On the other hand, the plenipotentiary representative of the president also agreed that a cancellation of registration of non-residents could lead to a violation of Moscow residents' rights: "If a whole

116 See an interview with Poltavchenko, Georgii. "Taras Bul'ba blizok mne po dukhu" (I spiritually sympathize with Taras Bul'ba), National News Service web site (<http://www.nns.ru/interv/int2686.htm>).

117 Luzhkov, Yurii. "Liudei, spasshikh stranu, nazyvaiut razrushiteliami" (The people that have rescued the country are called destroyers), National News Service web site (<http://www.nns.ru/interv/int1900.htm>).

118 Zorkal'tsev and Podberezkin, *Op. cit.*

119 Surovtsev, Yu. I. "Ukrupnenie rossiiskikh regionov? Zachem? I kakim obrazom?" (Enlargement of Russian regions? Why? And in which way?). In *Rossia i sovremennyi mir*, no. 3 (1999).

crowd of non-residents rushes into Moscow, the rights of the eight and a half million residents of the capital will be infringed".¹²⁰ In this connection an observer of the *polit.ru* information and political channel pointed out that the Kremlin uses the registration issue as a means of exerting pressure upon the Moscow mayor, who is employed depending on his "attitude towards Kremlin initiatives".¹²¹

Poltavchenko hasn't been overzealous in the economic sphere, either, and has concentrated instead on making an inventory of the facilities he was entrusted with. Speaking at a conference on issues regarding the interaction between power and business, the presidential envoy in the Central Federal District outlined his economic strategy as follows: "We see that one of our most important tasks is first, to create favorable conditions for business development, and second, to cut short any attempts aimed at limiting economic freedom".¹²²

According to analysts, the plenipotentiary representative and his team have chosen to not get involved in economic processes, as they believe that Moscow construction companies will start to invest in other regions of the federal district in any case.¹²³ According to the same source, Luzhkov took a step towards Poltavchenko by saying that he had nothing against "the extension of economic powers of plenipotentiary representatives" if the president were to sign an act to this purpose. In response to this proposal, Vasilii Kichedzhi, Georgii Poltavchenko's deputy on economics, let it be known that only the coordination of actions could be implied.¹²⁴

Meanwhile, realizing the capital's responsibility for the federal district's development and wishing to mitigate the disproportion between the well-to-do (Moscow) and poor (the Tambov and Bryansk regions) areas of the federal district, the Moscow mayor proposed to set up an inter-regional investment fund for project implementation in the territory of the federal district. The first investment project of this kind was the construction of a new medical center in the Tambov region on Moscow's initiative. Georgii Poltavchenko appreciated this initiative, and in his turn suggested the political monitoring of such investment projects.¹²⁵

The federal inspector in Moscow, Igor Abalgaziev, appointed by Georgii Poltavchenko, was introduced to the Moscow government on 28 November 2000.

120 *EWI Russian Regional Report*, no. 39 (2000).

121 "Polpred Poltavchenko „sdal” vchera Luzhkovu registratsiiu priezshikh: otmena nekonstitutsionnoi registratsii v Moskve vriad li svetit v blizhaishem budushchem" (The presidential envoy agreed to the registration practice of Luzhkov: abolishment of non-constitutional registration not to be expected in the near future), *Polit.ru* web site (<http://www.polit.ru/documents/354876.html>).

122 Svistunova, Svetlana. "Biznesom prirastat' budet!" (Good expectations for business growth!), TVC channel web site (<http://www.tvc.ru/news/031000-20.html>).

123 "G. Poltavchenko ne budet brat' ekonomicheskuiu vlast' v okruge" (G. Poltavchenko will not acquire more economic power in the district). *EWI Russian Regional bulletin*, no. 21 (2000).

124 *Ibid.*

125 Kuz'mina, Vera. "I derzhavu podymem!" (We will get the state to its feet!), TVC channel web site (http://www.tvc.ru/news/011200_20.html).

According to the apparatus of the plenipotentiary representative, the appointment of the federal inspector to the capital did not mean the “establishment of personal control over the activities of the Moscow authorities”.¹²⁶ In the three months following his appointment the federal inspector limited his activity to attending the meetings of the Moscow government.

On the whole Georgii Poltavchenko has been quite successful in establishing relations with the heads of the regions reporting to him, including the Moscow government in the time following his appointment. Up until now, the president’s representative has not reacted or become involved in disagreements between the president and the mayor in any way. In his turn, Luzhkov took a step towards the new federal institution by expressing his interest in economic and investment programs in the federal district’s territory. The relationship between the mayor of the capital and the president’s representative can therefore be evaluated as being favorable to both parties.

Meanwhile, the issue of amending the Moscow legislation is underway. The vice premier of the Moscow government, Anatolii Petrov, said that a time frame has been defined for amending those laws that do not comply with the federal legislation as judged by the Prosecutor General’s Office.¹²⁷ At the same time, neither the problem of Moscow’s status, nor the issue of bringing Moscow’s legislation in line with the national legislation have been finally settled yet. In all probability, the amendments will take their final shape only after the federal power has defined its plans in terms of status, division of authority and other legal standards regarding Moscow.

3.3 Impact of Putin’s administrative reforms

The election campaign, overshadowed by tensions, and its results had a destructive impact on the relationship between Moscow and the federal center. Having overcome the phase of open conflict involving compromising materials and accusations, in which Luzhkov and his team had almost figured as the main enemies of the state, the confrontation between the Moscow and Kremlin teams entered a latent, but no less strained phase. The winning party first of all demanded that a “political and financial contribution” be paid by the defeated party.

As early as the beginning of March 2000, Press and Information Minister Mikhail Lesin, who was close to the Kremlin, announced that two TV channels, ORT and TVC, would be put up for tender. This harsh decision was justified by

126 Svistunova, Svetlana. “Novoe naznachenie” (A new appointment), TVC channel web site (<http://www.tvc.ru/news/281100-14.html>).

127 “Polpred Poltavchenko vynudil Luzhkova privesti mestnye zakony v sootvetstvie s federal’nymi” (Plenipotentiary representative Poltavchenko forced Luzhkov to bring regional laws into compliance with federal legislation), Polit.ru web site (<http://www.polit.ru/documents/309622.html>).

references to violations made by both channels during the 1999 State Duma election campaign. Meanwhile, everyone was sure that only TVC would be sanctioned as it was an opposition channel reflecting the views of the Moscow city government.

Among the candidates for tender were the TV company VID (Aleksandr Liubimov), REN-TV (Irena Lesnevskaja), ATV-Production, and the TV channel Moskoviia which was already broadcasting on the third frequency channel.¹²⁸ Several personal meetings between Luzhkov and the minister in which they discussed conditions of possible mutual concessions were required to settle the issue. After about four months the proceedings ended on 6 July 2000 with the extension of TVC's license for another five years.¹²⁹

The Moscow City Duma is to become the second instrument of exerting pressure over the mayor of the capital. City Duma elections are scheduled for the end of 2001, when the Kremlin hopes to spirit deputies who oppose Luzhkov into the city parliament.¹³⁰ According to the newspaper *Novaia gazeta*, the president's administration is discussing the idea of increasing the number of the city hall deputies from 35 to 70 by introducing representatives of political parties.¹³¹

The third major attack on the position of the Moscow government took place on the economic front. Above all, this concerned the redistribution of the tax basis in favor of the federal center. The new taxation code of the RF stripped Moscow of its construction budget (about 50 billion Rubles per year) and left it stuck with debts from programs of the previous years.¹³² According to the new income distribution formula, the government of the RF decided to channel all the financial resources which the city had previously been gathering for its construction needs to the federal budget, to be later distributed among the regions.

To illustrate the importance of the problem, it should be mentioned that the third transport ring road around Moscow was financed by the territorial Road Fund and subsidized by tax payments.¹³³ The introduction of a uniform income tax rate (13%), which had little influence over the income of the regional budgets, but reduced part of the capital's annual earnings from 17%, was a further sign that the undeclared war is primarily directed against Luzhkov.

128 Arutiunova, Viktoriia. "Bitva za kanal imeni Moskvyy" (Fight for the Moscow TV channel). *Kommersant'-Vlast'*, no. 20 (2000).

129 Fossato, Floriana. "TV-Tsentr wins tender." *RFE/RL (Un) Civil Societies*, no. 9 (2000).

130 Slavutinskaia, Inessa. "Moskovskoe bremia" (The burden of Moscow). *Profil'*, no. 2 (2001).

131 "Pod kovrom" (Beneath the carpet). *Novaia gazeta*, no. 68 (2000).

132 Bocharov, Yurii. "Moskva – stolitsa nashei merii" (Moscow – the capital of our City Hall). *Kommersant'-Vlast'*, no. 35 (2000).

133 Rosliak, Yu.V. "Ekonomika stolitsy obladaet neobkhodimymi resursami" (The economy of the capital possesses necessary resources), Moscow City Hall's official site (<http://www.mos.ru/moscows2000.htm#8>).

Judging by publications in the pro-Kremlin mass media, the new front of the Kremlin's attack against Moscow's position will be the demand for a redistribution of Moscow property and land in favor of the federal center. Currently, about 5-8% of the city's real estate and land are under federal jurisdiction. The stakes in this issue is high since, according to data from the Institute of City Economy Foundation, Moscow's annual income derived from leases amounts to about US\$5 billion.

It is significant that the journal *Kommersant'-Vlast'*, which is closely connected with Berezovskii, continued its anti-Luzhkov campaign even after the elections, accusing the Moscow leadership of unauthorized use of funds. According to the magazine, the Moscow authorities were "not building in places where it was necessary, but in ones where construction was 'more visible'. Two to four percent of the capital's territory received 50% of investments".¹³⁴ The author goes on to say that "the concentration of the lion's share of resources in the heart of Moscow in order to achieve the maximum effect illustrated [Luzhkov's] main objective – the struggle for presidency".¹³⁵

The State Duma passed a resolution on "Division of state-owned property in the RF" in the fall of 2000. This document sanctioned a revision of former agreements between the center and the regions on the transfer of property rights, which takes away some of Moscow's territory in a situation of legal chaos. On the other side, Moscow's position is being attacked by the State Construction Committee, which has put a moratorium on building new facilities in Moscow and is preparing a document on transferring part of municipal land to the federal center.¹³⁶

At the same time, while Yeltsin's decree on land and property in Moscow still requires more thorough reconsideration since it concerns investors' rights, the president's administration is quite likely to resort to mechanisms of exerting pressure such as changing the status of Moscow or giving consideration to Moscow Oblast's claims against the Moscow government.

The division of land, property, airports and recreation zones between Moscow and the Moscow Oblast started back in 1992. At the time, the influential Luzhkov settled the overwhelming majority of issues in his favor; Moscow got hold of the town of Zelenograd and some other territories, and the numerous dacha settlements of Muscovites located in the Moscow Oblast were left 'ownerless'. The Moscow City Duma passed a new version of the law on the territorial division of the capital in 1997, which once again unilaterally changed the borders.

134 Bocharov, Yurii. "Moskva – stolitsa nashei merii" (Moscow – the capital of our City Hall). *Kommersant'-Vlast'*, no. 35 (2000).

135 *Ibid.*

136 Pis'mennyi, Valerii. "Novoe nastuplenie na Moskvu" (A new attack on Moscow). *Kompaniia*, no. 48-49 (2000).

As a result, the most profitable Sheremet'ev airport ended up in the territory of Moscow.¹³⁷

The newly elected governor of the Moscow Oblast, Boris Gromov, has already questioned Moscow's jurisdiction over the airports located within the Moscow Oblast. Recently he addressed the companies working in Podmoskov'e (the vicinity of Moscow) suggesting that they register in the oblast and let their taxes benefit the regional budget.¹³⁸

A great number of enterprises working in the Moscow Oblast are registered and pay taxes in other regions, above all in Moscow. About 145 such enterprises work in the vicinity of Sheremet'ev airport alone. In a situation when the regional leadership experiences serious financial difficulties, this, in Gromov's words, "inevitably leads to depletion of the Moscow Oblast's resources, which cannot be replenished through tax receipts due to the above reasons".¹³⁹ Considering the current opposition between Moscow and the federal authorities, the Kremlin is quite likely to support the Moscow Oblast governor in this issue.

In the light of the above problems regarding the relationship between the center and Moscow, the capital's authorities are somewhat wary of the institutional management reform initiated by Putin. In the opinion of the Moscow authorities, and in the words of the Chairman of the Moscow City Duma and Deputy Chairman of the Federation Council Vladimir Platonov, "it is sad that it [the administrative reform] is being reduced to strengthening the vertical of the executive power alone. The only existing incentive to obey is fear of non-compliance with some of the standards. Putin's set of laws introduces punishment as a management tool; everything depends on it".¹⁴⁰

Speaking about the general concept of the reforms, Platonov expressed his doubts regarding the correctness of the objectives and tasks as formulated by the federal center: "We are forgetting that the state and its power exist for the citizen. This is true of any federal state as well: the central power exists for the constituent entities of the federation, and not the other way round. The entities, having united, should be the ones to decide what the federal power should be like, how it should function, and not the other way round. Meanwhile, they are the ones who earn money and then send it to the federal center".¹⁴¹ Following these speculations, Platonov called the 2001 budget proportion, which allocated 30% to the

137 "Granitsy mezhdu Moskvoi i Moskovskoi oblast'iu budut utocnny" (Borders between Moscow city and Moscow Oblast will be specified), National News Service web site, 31 May 2000.

138 *Ibid.*

139 "Gubernator Podmoskov'ia prosit sosedei podelit'sia nalogami" (The governor of the Moscow Oblast asks the neighbors to share revenues with the Moscow Oblast), *Gazeta.ru* World Wide Web site (<http://www.gazeta.ru/print/2001/01/17/gubernatorpo.shtml>).

140 Platonov, Vladimir. "Nado uvazhat' protivnika" (One must respect an opponent), National News Service web site (<http://www.nns.ru/interv/int1895.htm>).

141 *Ibid.*

regions and 70% to the center, unacceptable since it turned donor regions into subsidized ones.

In his *Itogi* program of 22 October 2000, Yevgenii Kiselev identified three levels of the governors' opposition to the center's reforms. He described the governor of the Sverdlovsk Oblast, Eduard Rossel', and the Bashkirian president, Murtaza Rakhimov, as firm opponents. He also identified the president of the Chuvash Republic, Nikolai Fedorov, as a representative of the moderately firm antagonists, and Platonov was described as a supporter of mild opposition.

It looks, however, as if the Moscow authorities are as firmly opposed to the reform as the Chuvash leaders. The latter's milder statements are likely to be explained by the fact that Moscow stands to lose much more than the Chuvash Republic should the former management system be overhauled. Significantly, Platonov joined Fedorov regarding the main issue: "I agree with the position of the president of Chuvashia, Nikolai Fedorov, and believe that Russia should not take the way of extending the authorities of a single participant in the check and balance system of the state structure".¹⁴²

Both Platonov and Luzhkov have taken steps to slow down or cancel the president's reforms. Platonov, together with the president of the Chuvash Republic, initiated a constitutional court inquiry regarding the compliance with the law of the new principles for the formation of the Federation Council and the local self-government bodies.¹⁴³ While working on proposals for the system of state power and management bodies on President Putin's request, Yurii Luzhkov has, in his turn, already demonstrated aspirations to revise the whole existing system of power.¹⁴⁴

Along with attempts to influence the course of the administrative reform, Luzhkov's circle and the mayor himself have repeatedly demonstrated their readiness to find a compromise with the federal power. The mayor of Moscow, for example, publicly supported adopting the new (and at the same time the old) anthem of Russia as well as Russia's division into federal districts, assuring in an interview that he was no enemy to the president. Such actions demonstrate that the Moscow mayor's pragmatism and realism, as well as his willingness to "keep face" and end his conflict with the president with minimum losses.

In summary, the main factors which determine the potential and the prospects of Moscow's foreign economic and international activity under the ongoing administrative reform are as follows: first, the weakening of the capital's taxation base and loss of its control over a number of income sources is quite

142 Tropkina, Ol'ga "Ia ne protiv prezidenta" (I am not against the President's will). *Nezavisimaja gazeta*, no. 220 (2000).

143 "Povestka dnia" (An agenda), TVC channel web site (<http://www.tvc.ru/news/191000-11.html>).

144 *EWI Russian Regional Bulletin*, no. 21 (2000).

likely to result in a decline of the foreign economic activities on behalf of the capital's authorities. Second, the replacement of the Federation Council as a body of regional influence by the amorphous State Council with its consultative functions will lead to a weakening of the regions' (including Moscow's) capability to influence the elaboration of Russia's foreign policy. Third, Moscow's undefined status and rumors of the upcoming border demarcation of federal and municipal land in the capital objectively make it less attractive to investors and cause doubts about the implementation of current investment projects. Fourth, the dispute between Moscow and the federal officials over property issues in the capital threatens to revise commercial projects already signed and implemented.

It seems that neither Moscow nor the federal center are interested in bringing the conflict to a head, since this could lead to a loss of investors and a significant decline in foreign economic links. Moscow is therefore forced to collaborate with the federal power on some issues and confront it on other issues. As a result, this course of events requires a closer coordination of the interests and capabilities of both parties.

Conclusion

The decade of Moscow's development as a megalopolis in post-Soviet Russia has been a period in which the Moscow elite has been searching for and developing singular ideas in terms of its role in domestic and international processes. The long-term mentality of the capital and center of the Russian state, the emerging autonomy in foreign and international links, and the increased economic power that contrasted with the economic and political decline of the rest of the Russian regions have been catalysts for the realization of the city's new role.

Against this background, Moscow's foreign economic and political ties were important, but not elemental in the city's development. It follows that the objectives of its foreign economic expansion were secondary to the aims of its political rise and the creation of an economic prosperity zone in Russia. The main political motivation of the Moscow elite was to challenge the incompetent (in the opinion of Moscow's leadership) domestic and foreign policies of the federal center. In this context, Moscow's foreign and security policy was aimed at demonstrating the real goals and tasks facing the country.

In line with its economic and political weight, Moscow plays the leading role in Russia's foreign and security policy. Of all Russian regions, Moscow has the most extensive ties in the world community, attracts the largest volume of foreign investments, and possesses the best potential to influence the decision-making processes and realization of Russia's foreign political and economic interests. The most efficient methods used by the city authorities to influence the center's policy have been the interaction in the framework of the Federation Council as well as the capital's independent domestic and foreign policy, which induced the federal leadership to pay attention to Moscow's stance on a number

of issues, especially those concerning the fate of the Russian-speaking population in the former Soviet republics.

The administrative reform and the political discord between Putin and Luzhkov have, to a certain extent, degraded the status of Moscow as an independent and autonomous subject in international relations, although they have not been able to completely level out Moscow's international and domestic potential. It is quite likely that the role of the Federation Council in the implementation of goals and tasks faced by Moscow's leadership will be reduced in view of the ongoing transformation of political establishments. It follows that Moscow's influence in the State Duma and the State Council will probably increase. In addition, the Moscow area is likely to dominate the Central Federal District.