

Methods of Central Control Over Russia's Provinces, and Prospects for the Future

Steve Solnick
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The Russian state is highly fragmented, lacking a unified legal or economic space. Nevertheless, fragmentation need not signal disintegration--officials of Russia's central government have proven resourceful at using the leverage of scarce resources to keep Russia intact.

This memo examines the mechanisms of central control over Russia's regions. It has three primary goals, addressed in three separate sections:

1. It briefly reviews the history of center-periphery relations from the perspective of central government strategy;
2. It examines how the center's strategy toward the regions shifted after the financial crisis and collapse of 1998, and how that policy is likely to develop between now and the scheduled presidential elections in 2000; and
3. It considers the implications for US policy of this new phase in Russian federal relations.

Russian Center-Regional Relations, 1990-1998

Since the late Gorbachev era, relations between Yeltsin's administration and Russia's 89 regional administrations have been characterized by extensive and protracted negotiation. Central and provincial leaders have bargained over division of budgetary funds, natural resources, policy jurisdictions, personnel appointments, and other questions of fiscal and policy competence. This period can be divided into two distinct phases, marked by different strategies pursued by federal leaders (detailed below).

1990-1994: Collective Bargaining

Beginning with the declarations of sovereignty of Russia's ethnic republics in 1990, the federal government in Moscow pursued a strategy of bargaining collectively with groups of regions. In 1992, it signed three "Federation Treaties" to serve as the basis for a new Russian constitution. Similar but distinct documents were signed with Russia's ethnic republics, predominantly Russian oblasts/krais, and sparsely populated autonomous okrugs. In doing this, federal authorities effectively defined three major groupings of regions that it would recognize in subsequent collective bargaining.

During 1992 and 1993, the heads of Russia's ethnic republics met regularly and defined a coherent bargaining bloc in their relations with the federal center. Oblasts and krais were unable to match their coherence, despite abortive efforts to define analogous oblast-centered "republics" (like the Urals Republic led by Sverdlovsk oblast or the Far Eastern Republic led by Primorski Krai). Unlike these ad hoc collaborations based on geographic proximity, the collective bloc formed by the ethnic republics had readily-identifiable markers of membership: regions defined constitutionally as "republics" could easily recognize their stake in the success of the bargaining unit. When Moscow granted a concession to one "republic," all other republics could and did claim it as their constitutional entitlement as well. As a consequence, ethnic republics retained a disproportionate share of both fiscal subsidies and policy autonomy through 1993.

1994-1998: Bilateralism

After the ethnic republics failed to collectively support Yeltsin in his showdown with the Russian parliament in 1993, the center moved to dismantle the structural advantages enjoyed by ethnic republics. It did so by attacking the unifying principle of their bargaining unit--their common stake in securing collective privileges.

Beginning with the 1994 Bilateral Treaty with Tatarstan, the Kremlin began distributing resources and autonomy to regions based on individual rather than collective deals. Beginning first with selected republics, and then extending the practice in 1996 to selected oblasts and krais, the federal government began defining its relations with specific regions through direct bilateral negotiations. As a consequence, it was able to restrict the privileges enjoyed by some republics without incurring the ire of other republics fearing their privileges were also at stake. Thus, in 1997, the Kremlin was able to restructure Sakha's highly lucrative diamond marketing concession without encountering any protests of solidarity from other resource-rich regions. Similarly, the Kremlin was able to prosecute its bloody war against Chechnya without encountering united protests from other Islamic republics. In instances like these, it was clear that regions were conceiving and structuring their relations with federal officials bilaterally rather than collectively. By June 1998, more than half of the 89 subjects of the Russian Federation had signed bilateral "treaties" with the federal government.

Center-Periphery Relations After 1998

Beginning in 1998, the Kremlin's reliance on bilateral bargaining with the regions became increasingly costly. At the same time, a new and more threatening model of regional collaboration emerged. Moscow has responded by resorting to its old strategy of encouraging compliant regional blocs to retake center stage.

1998 and the Limits of Bilateralism

By the spring of 1998, the central government was already losing access to the policy levers it needed to maintain a strategy of bilateral bargaining with regions. One important element of the bilateral treaty packages signed with regions was a separate protocol of

federal properties transferred to regional control. By early 1998, the federal government had already divested the most valuable properties in the portfolio. In addition, regions were accepting share in regional enterprises to settle local tax debts, and were using this mechanism to accumulate far more valuable enterprises than the center could offer. In addition, the fiscal crunch already created by the debt crisis of early 1998 limited the center's capacity to offer fiscal benefits through bilateral deals. As the debt crisis deepened, the center increasingly lost the option of allowing regions and regional enterprises to settle debts through mutual offsets, non-cash payments, or *wechsel* schemes. With growing pressure from international institutions to re-monetarize the tax and budget system, central discretion over doling out fiscal benefits shrank dramatically.

Finally, the Treasury system (*kaznacheistvo*) put in place by 1998 further standardized the budgetary system across the federation and curtailed the center's opportunities to offer rewards through bilateral horse-trading. The impact of these reforms should not be overstated, however, as a large share (as great as 50% by Russian estimates) of federal expenditures continued to flow through extra-budgetary channels.

Political Parties and the New Specter of Regional Blocs

As the federal center was losing its ability to reward bilateral bargaining partners, it was also watching regional leaders grow more assertive in their willingness to defy the Kremlin. In early 1999, the Federation Council resisted Yeltsin's pressure to accept the resignation of Prosecutor General Yuri Skuratov. This act of defiance, while immaterial to Skuratov's fate, represented a rare instance of regional defiance uniting regional leaders across the political and territorial map.

More troubling to the Kremlin has been the emergence of "governors' blocs" as players in the 1999 parliamentary election. While still just loose alliances with overlapping memberships, parties like "Golos Rossia" and "Vsia Rossia" amount to regional blocs defined not by inherited constitutional status (like the heads of republics) or accidents of contiguity (like the Urals or Far Eastern associations). Instead, these new unions of governors represent political alliances specifically aimed at influencing the post-Yeltsin succession.

A regional party along these lines, united by a common political goal rather than mercenary self-interest, could prove less susceptible to manipulation by the Kremlin. A Kremlin with limited carrots to offer through bilateral negotiation is likely to view these new blocs with particular alarm.

The Center's Response: A Return to "Accidental" Blocs

Yeltsin's response to this new regional threat has been swift and dramatic, probably overdramatic. It has come in two phases, as two challengers "from the regions" commanded the attention of the Kremlin.

Lebed: In early 1998, the election of Aleksandr Lebed as governor of Krasnoyarsk Krai raised the first real specter of a credible presidential challenge mounted by a "regional

leader." Lebed's election led swiftly to the dismissal of Victoria Mitina, Yeltsin's deputy chief of staff for regional policy.

In Mitina's place, Yeltsin elevated Vladimir Putin from his post as head of the fiscal oversight Control Commission of the presidential administration. Putin's previous responsibilities had included the investigation of misuse of budget funds by regional leaders, and his appointment raised fears of an imminent vendetta against regional opponents of Yeltsin. So palpable was this fear that Putin's first act in his new job was to hold a press conference to avow that he considered no governors to be "enemies" of the administration, regardless of their views.

Putin's next major initiative, however, signaled a new strategy by Yeltsin's team. Yeltsin presided over a meeting of the heads of the republics, the same body coopted by Yeltsin during the early days of his presidency. The meeting was held on the very day of Lebed's inauguration in Krasnoyarsk; the timing meant that Putin was unable to attend Lebed's swearing in, and that Lebed's brother Aleksei, the president of Khakassia, was forced to miss the Kremlin meeting. According to published reports, Yeltsin made a "separate deal" with the republic heads, promising additional transfers of federal property and a renewed dedication to protecting privileges granted in earlier negotiations. The meeting foreshadowed a return to the collective bargaining model of the 1990-94 period.

Luzhkov: By early 1999, the chief presidential challenger from the regions was no longer Lebed but Yuri Luzhkov, the mayor of Moscow. Luzhkov's bid was more threatening to the Kremlin, since it linked a charismatic politician to a bloc of governors--Vsia Rossia--formed to contest the 1999 parliamentary elections. His failure to derail the Luzhkov-Vsia Rossia alliance cost Sergei Stepashin his job as Prime Minister.

Before being sacked, however, Stepashin had already moved to revive the Union of Governors--an institutional counterpart created in 1992 by the heads of oblasts/krais to offset the collective bargaining advantage enjoyed by republican leaders. Shortly after replacing Stepashin, Vladimir Putin attended a meeting of the "Siberian Accord," an inter-regional association in which Lebed has played a prominent role. Putin assured the Siberian leaders that the federal government would give priority to Siberian development.

The moves to revive institutions like the Governors' Union or woo blocs like the Siberian Accord represent a new phase in the center's relations with the regions. Lacking the resources to woo regions individually, and nervous about regional alliances based on shared political interests, the center is seeking to elevate "accidental" associations of regions. Thrown together by accidents of history (as the ethnic republics) or of geography (as the units of the Siberian Accord), these groupings of regions represent the Kremlin's best bet to counter the perceived threat of a presidential challenger forging an alliance of governors and sweeping to national power. These "accidental" groupings are more likely to endure than Kremlin-engineered marriages of convenience like Our Home is Russia (NDR) or the brand-new Edinstvo ("Unity"), which have shown little power to command the allegiance of participating governors.

At this writing (October 1, 1999), the Kremlin's specific fears of the Luzhkov-Vsia Rossia alliance seem overblown. Vsia Rossia, forged by Tatar President Shaimiev, is a loose association at best, and Shaimiev and Luzhkov have a long and rancorous history of disagreement. If Yevgenii Primakov remains with the alliance he may act as a peacemaker, but he may also further complicate a volatile mix of ego and ambition. Nevertheless, even if the Luzhkov-Vsia Rossia alliance fails to survive beyond December 1999, the model of a charismatic politician backed by a limited but united set of regions represents a potent threat to Yeltsin's desire to select his successor. And the federal center's effort to counter hostile regional blocs with more malleable regional blocs probably represents a major plot line of the coming electoral season.

Implications for US Policy

If federal relations in Russia are undergoing a new shift from bilateralism back to collective bargaining, what does this mean for US policy? There are three significant implications, noted here as prescriptions:

- Curtail US assistance earmarked for "political party development" in the 1999-2000 election season

As presidential challengers and Yeltsin's administration seek to fashion rival "regional blocs" there is a danger that electoral politics and issues of federalism will increasingly fuse over the coming year. Democracy assistance aimed at fostering political party development could have the unintended consequence of destabilizing federal relations if it is perceived (by the center) as solidifying gubernatorial blocs rather than transforming them into non-territorial mass parties.

- Reiterate and studiously observe US neutrality in the coming 1999-2000 elections

The rapid rise of Putin in response to the threats of Lebed and Luzhkov suggests a growing desperation in central government circles as federal officials contemplate the challenge posed by an alliance of regional administrations. Under these circumstances, measures that are even more desperate are certainly under consideration, including suspension of elections. An unwavering line on US neutrality will help erase any questions about whether the US would "welcome" a suspension of democracy if it benefited a "favored" candidate.

- Curtail US assistance flowing through regional government channels

Regional administrations are active players in the 1999-2000 national elections. Under such circumstances, if US neutrality is to be taken seriously, the US should refrain from directly financing programs through regional governments. Such a mode of US assistance would be indistinguishable in the Russian context from supporting one or another rival political camp. Instead, support programs aimed at the regional level should be coordinated through non-governmental organizations.