

Putin's Federal Reform Package: A Recipe for Unchecked Kremlin Power

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When President Vladimir Putin took office at the beginning of 2000, he inherited a political system that was working badly. He had to take action and chose to implement a set of reforms that sought to centralize power in the Kremlin and institutions directly under his control. In this article I will briefly describe the situation that Putin faced when he came to power. I will then provide a short overview of his reforms. Finally, I will analyze the effectiveness and likely consequences of Putin's initiatives.

The Legacy of the 1990s

At the beginning of the 1990s, Russia's federal system faced serious troubles.¹ The federal government did not have the ability to implement many of its policies throughout the country. Most important, the country lacked a unified market, as regional leaders often erected barriers to trade between regions. Some governors stemmed the flow of goods into their regions because they wanted to generate tax revenue from local producers. Others blocked the export of foodstuffs to ensure that local shelves would be filled. Such measures deprived farmers of incentives to produce because they would not be able to get a market price for their products.

The Russian bureaucracy of the 1990s was in particularly poor shape. Many of its employees were unqualified to deal with the challenges presented by the new market economy. Corruption was endemic because bureaucrats largely controlled the regulation of business enterprises and could impose arbitrary fines or collect bribes with impunity.

Despite its overall weakness, the federal government was in a position to block regional initiatives. For example, it set the rates for the key revenue-raising taxes and authorized the regions to collect only about 7–8 percent of their revenue without first gaining permission from Moscow. Since the regions had few ways of

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raising money on their own, they frequently resorted to lobbying the center to obtain needed funds. At the same time, federal efforts to help the regions, such as development programs, usually existed only on paper. The federal government also shirked many of its responsibilities by requiring regional and local governments to meet many of the population's social needs but denying them the financial base to fulfill those obligations.

In the face of federal weakness, Russia's eighty-nine governors felt free to violate federal laws. Regional legislatures adopted laws that declared their regions to be sovereign, placed regional laws above federal legislation, established forms of citizenship independent of Russian citizenship, asserted ownership of natural resources in regional territory, and claimed the right to sign and renounce international treaties. In the latter part of the 1990s, they had essentially unchecked power in their own regions, with no other individuals or institutions in a position to provide much opposition. Governors had close links with regional economic elites in whose interests they often acted.

Although the federal government held most of the formal economic power, the governors were often able to gain economic power *de facto* by exploiting barter and other forms of nonmonetary exchanges.² It was relatively easy to hide nonmonetary exchanges from Moscow, so governors often favored deals involving goods, debt offsets, or simple nonpayment, particularly to energy utilities.

Additionally, the governors often were able to exert enormous influence over federal employees working in the regions because the federal government lacked the resources to provide them livable salaries or such necessities as office space. By controlling the local branches of the police or procurator, which are technically federal institutions, the governors did not have to worry about pesky criminal investigations into their activities. Control of the regional court system provided similar benefits. In many regions, though, the local Federal Security Service, the successor to the KGB, stayed outside gubernatorial control and could investigate particularly egregious abuses. Finally, most governors had extensive control over most of the important media outlets in the region, particularly television.

Putin's Reforms

Promptly after his inauguration, Putin launched a set of initiatives to restructure Russia's federal system and address the problems he inherited from the Yeltsin era. On 13 May 2000, he signed a presidential decree dividing the country's eighty-nine regions into seven federal districts, and he appointed presidential representatives to each of them.³ He also succeeded in passing bills through the national legislature that transformed the way members of the upper chamber Federation Council are chosen,⁴ gave the president the right to fire governors and disband regional legislatures (at least formally),⁵ and gave governors the right to fire mayors.⁶

The Federation Council

Putin's obvious goal in changing the way the Federation Council members are chosen was to reduce the status of the eighty-nine governors from national politi-

cians to regional ones and to take away their immunity from criminal prosecution. From the beginning of 1996, governors and the chairmen of regional legislatures had been automatically members of the Federation Council, which endowed them with national stature and access to the national media that they would not otherwise enjoy. Putin wanted to remove them from that body to lower their status and reduce their ability to lobby the federal government for funds.

However, although the reform has knocked the governors down a peg, it had little direct impact on their power. On 1 September, Putin established the new State Council, whose membership includes the Russian president and all of the governors.⁷ The body is purely consultative, designed to give the governors access to the president at least once every three months. The governors lost their ability to participate directly in the national legislature, but they did retain membership in a national institution.

The governors and regional legislative chairmen now appoint representatives under their firm control to replace them in the Federation Council (the change will take effect for all regions on 1 January 2002). Because the governors and regional legislatures can remove their representatives, they can keep them on a short leash. A two-thirds majority in the regional legislature can stop the governor from removing the representative, but as most governors control the regional legislature, this provision does not present much of an obstacle. The new members of the Federation Council will serve full time in the body, so they will be able to act on legislation much more effectively than the governors did when they went to Moscow two days a month for Federation Council sessions. Judging by the initial appointments, the new Federation Council will be made up of former governors and close friends of sitting governors. The governors will not have the ability to tell their representatives how to vote on every single issue, but the representatives will inevitably toe the governor's line as closely as possible.

The Seven Federal Districts

Given the muddled nature of Putin's reform of the Federation Council and creation of the State Council, his most important initiative was the creation of the seven federal districts. Again, the goal of the reform is to take power away from the governors and concentrate it in the hands of individuals and institutions more clearly subordinate to the president. To avoid encouraging potential separatism, Putin drew the boundaries of the new federal districts along the lines of the interior troop districts rather than the eight interregional economic associations that functioned during the 1990s.⁸ As a further sign of his intention to take power, five of the seven representatives Putin appointed came from the Federal Security Service or the military (see appendix 1). Only two were civilians: a former prime minister and a diplomat. Since there are seven presidential representatives and eighty-nine governors, the representatives are likely to have much better access to the president and work at a higher level, avoiding the kind of gubernatorial attempts to control federal officials that had been successful in the past.

Putin charged his representatives with coordinating the activities of federal agencies in the regions, monitoring the actions of regional authorities, and super-

vising the process of bringing regional laws into conformity with federal laws. These tasks bring the representatives into confrontation with the governors and the federal ministries. Whereas the governors had been able to influence the appointment of federal officials in the regions in the past, they appear to be losing that ability. The representatives also come into conflict with the Moscow-based ministries, who, like the governors, do not want to give up their power to the new players. Rather than creating a direct hierarchy of power from the president to the regions, Putin has created a triangle, with the representatives, governors, and federal ministries pulling in different directions.

Control over the flow of federal money to the regions is the most concrete example of this three-way conflict. The representatives' power in the economic sphere is unclear. Initially, they did not have control over the economic situation in their districts, but over time some representatives said that they wanted to play a larger role in economic policymaking. Federal institutions such as the Moscow-based staff of the Presidential Administration and the Finance Ministry are fighting back to make sure that they do not lose their current power. The governors are also resisting the representatives' initiatives.

The federal district system is in a period of transition, and the path of its future evolution remains uncertain. Putin may transfer more power to the seven representatives, strengthening the new institutions that he has set up. Alternatively, he could capitalize on the early successes by removing the representatives and transferring much of their current power back to the ministries, procurator, and reformed court system as a way of keeping the governors in line. Given Putin's identification with the new system, however, he most likely will stick with it, though he may be willing to replace individual representatives.

The Effect on the Governors

The representatives have had some clear successes in the first stage of the reform. They have changed the atmosphere in which the governors are operating and have taken back control over many federal institutions and resources that Yeltsin had allowed to slip into regional hands. For example, they have reasserted federal control over the appointment of federal officials in the regions, particularly in the area of law enforcement. They have also brought many regional laws into line with federal norms. Putin has reasserted central control over Russian Television (RTR), the country's second state-controlled network.⁹ And with the changes in the tax laws adopted in summer 2000, the federal government now has even stronger control over the country's tax revenue. The federal government now manages all revenue from the value-added tax, including the 15 percent the regions once controlled. This tax is one of the easiest to collect, and the regions now must obtain their formal income from less-reliable sources.

Despite these changes, the governors retain extensive power at the regional level. Although district representatives like the Urals' Petr Latyshev have met with local oligarchs, the regional business elite is still tightly connected to the governors, although its members would easily switch allegiance if it became apparent that the presidential representatives were becoming more powerful.¹⁰ Governors

still play a key role in the day-to-day functioning of most regions. Their most visible task is supplying home heating and electricity.

Moreover, the new law on removing governors is unlikely to be effective.¹¹ To permanently remove a governor, the president first has to secure a court ruling that the regional executive broke a law or issue a decree overturning a regional executive act. To avoid removal, the governor has two months to respond, either by withdrawing his act or appealing to the courts. (The president can remove a governor temporarily if the procurator general is planning an indictment.) In the past, getting a court conviction against a governor has been all but impossible because the governors controlled the courts and had immunity because of their Federation Council membership. With this immunity now gone, Putin must address the court system. He is working to set up new administrative courts that could hear cases against governors in a timely manner.¹² At the end of 2000, the necessary legislation was still in the Duma. One critical problem is that the new system would be expensive, adding to an already underfinanced court system, and no money was set aside for it in the 2001 federal budget.

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Despite all of the changes, the job of governor remains attractive. Informal sources in Moscow suggest that the market for political consultants to work on gubernatorial campaigns is still strong, with candidates spending up to \$2 million to win. On 24 December, the oligarch Roman Abramovich captured the governorship of Chukotka, a desolate region in the Far East. Moreover, despite Putin's popularity, the Kremlin had little luck electing a coherent set of candidates in the numerous regional elections held in fall 2000.

Conclusions

Although less than a year has elapsed since Putin launched his reforms in spring 2000, several points are clear. First, despite Putin's public statements that he seeks to implement a “dictatorship of the law,” his policies amount to the use of the law for political purposes rather than the implementation of the rule of law. By establishing seven federal districts as a buffer between the federal government and the eighty-nine regions that make up the Russian Federation, he has in effect created a new layer of bureaucracy accountable only to the president. These districts were established on the basis of a presidential decree rather than federal law and do not exist in the Russian constitution. In many cases they seek to take power away from governors and federal ministries, institutions that do have a legal basis in the Russian system.

Under Putin, laws are still applied selectively in exchange for political loyal-

ty. In exchange for scaling back his opposition to the Yeltsin-Putin leadership, Moscow Mayor Yuri Luzhkov has been allowed to continue violating a Constitutional Court order to abolish the capital city's residency permits. In another case, the Putin administration supported amending an existing law on regional political institutions to allow Tatarstan president Mintimer Shaimiev to run for a third term in exchange for amending Tatarstani laws that violated federal norms.

Second, Putin's reforms will likely not result in a stronger Russian state. By favoring his seven representatives to the regions and the Security Council of which they are a part, Putin weakens other parts of the state, such as the Moscow-based offices of the presidential administration, the government ministries, and the regional governors. The Security Council existed under Yeltsin, but no federal law has been adopted defining its role and status as required by the constitution. The federal districts are an innovation, though similar ideas had long been discussed by Yeltsin's presidential administration. There is no consensus among state employees that power should be transferred from the old set of institutions to the new ones. As a result, there is increasingly intense competition between the institutions that are losing power and the new ones that seek to take it. One symbol of this struggle was the bitter fighting in late fall 2000 surrounding a possible new presidential decree that would significantly strengthen the power of the seven representatives. Such incessant internal conflict is likely to weaken the state's ability to formulate and implement its policies.

Third, the reform of Russia's federal institutions appears to have little likelihood of success. By setting up poorly defined new institutions whose responsibilities apparently overlap those of existing institutions, Putin is creating administrative chaos. Although a combination of his personal popularity, high oil prices, and an economic boost from the 1998 ruble devaluation have given Putin and his reforms an initial sheen of success, these developments may be short-lived. As Russia faces the continuing collapse of its infrastructure, symbolized most recently by the sinking of the *Kursk* submarine and the fire in the Ostankino tower, it remains doubtful that moving to centralize power will effectively address the country's problems over the long term.

Finally, and most distressingly, Putin's federal reform package seems designed to roll back the advances Russia has made over the last ten years in setting up democracy and federalism, however weak and flawed. Most important, Putin's reforms do not set up a state mechanism that would allow society to have greater input in formulating public policy. Setting up such a system would, in turn, encourage the flowering of societal interest groups that could have a real impact. Such groups do not exist now because the people who might set them up think it pointless to try to influence a state that is not willing to listen to them. Instead, just as Putin has formally taken the power to fire governors, he has also given governors the right to fire mayors. Local government represents the part of the state that works most closely with the population. By neglecting, and thereby weakening, society, Putin's reforms are destabilizing the Russian state in the long run.

Some observers have favorably reviewed Putin's reforms because they seek to undermine the power bases of such regional barons as Primorsky krai's Yevgeny

Nazdratenko and Sverdlov oblast's Eduard Rossel. However, by simply reasserting central power in an unchecked way, Putin's reforms open the door for problems that could be even worse than those created by the governors.

In this regard, Putin's policies compare very poorly to those proposed by Mexico's new president, Vicente Fox, who was inaugurated in December 2000. Facing similar problems, including a legacy of corrupt one-party rule and governors who behave like feudal lords, Fox has stressed the importance of decentralizing power to strengthen local government and civil society as a check on the governors. Fox recognizes that decentralizing power also means weakening the very presidency that he struggled to win. Although his strategy is by no means guaranteed to succeed, by better tapping society's energy and resources, it has much greater long-term prospects than the Putin plan. Putin's effort to concentrate power in institutions that are not subject to checks and balances leaves the door wide open for a return to authoritarian rule in Russia.

My analysis paints a pessimistic picture for Russia's future development. By centralizing power in the Kremlin and newly created institutions, Putin runs a strong risk of abolishing most aspects of democracy. Because he is not facilitating the development of strong local governments or a vibrant civil society, Putin's centralized power is largely unrestricted, creating tempting opportunities for corruption and arbitrary rule. Whereas the likelihood of Russia's disintegration seems to be receding, a new danger is becoming more apparent. If Putin is in fact able to centralize power successfully and then turns to authoritarian rule in an aggressive state, a revived and assertive Russia could pose difficult new challenges to the West.

Such a pessimistic outcome is by no means inevitable. Putin has displayed a pragmatic streak and an ability to learn from his mistakes. It is possible that he will make significant changes to his policies. Putin would have to realize that the short-term benefits of centralization, some aspects of which were necessary to address the problems inherited from the 1990s, will not translate into a long-term strategy that unleashes the enormous potential of Russia's society and its educated workforce in a peaceful and productive way. Having secured a more orderly system, Putin would need to open it up to encourage sustained economic growth that is less reliant on high oil prices and a cheap ruble than Russia is now. He would also need to allow for the evolution of real checks and balances on his power by ending his crackdown on the media and encouraging independent social groups.

APPENDIX 1. REPRESENTATIVES AND REGIONS OF THE SEVEN FEDERAL DISTRICTS

Central Federal District

Georgy Poltavchenko (b. 1953) worked for the KGB, the St. Petersburg Federal Tax Police, and as presidential representative in Leningrad Oblast.

Capital: Moscow City

Belgorod

Bryansk

Ryazan

Smolensk

Ivanovo	Tambov
Kaluga	Tver
Kostroma	Tula
Kursk	Vladimir
Lipetsk	Voronezh
Moscow Oblast	Yaroslavl
Orel	

North-West Federal District

General Viktor Cherkesov (b. 1950) served in the KGB and is known for prosecuting dissidents in the 1980s.

Capital: St. Petersburg

Arkhangelsk	Murmansk
Kaliningrad	Nenets Autonomous Okrug
Karelia	Novgorod
Komi	Pskov
Leningrad Oblast	Vologoda

Southern Federal District

Army General Viktor Kazantsev (b. 1946) was a career military officer who served as the commander of the federal troops in Chechnya before his appointment.

Capital: Rostov-na-Donu

Adygeya	Karachaevo-Cherkessia
Astrakhan	Krasnodar
Chechnya	North Ossetia-Alania
Dagestan	Rostov
Ingushetia	Stavropol
Kabardino-Balkaria	Volgograd
Kalmykia	

Volga Federal District

Sergei Kirkienko (b. 1962) worked in the Komsomol, Garantiya Bank, and Norsi-oil. Yeltsin then appointed him first deputy fuel and energy minister, then minister, and ultimately prime minister. He was elected to the State Duma in 1999 when he simultaneously lost a bid to oust Moscow mayor Yuri Luzhkov.

Capital: Nizhny Novgorod

Bashkortostan	Penza
Chuvashia	Perm
Kirov	Samara
Komi-Permyak Autonomous Okrug	Saratov
Marii El	Tatarstan
Mordovia	Udmurtia
Nizhnii Novgorod	Ulyanovsk
Orenburg	

Ural Federal District

Petr Latyshev (b. 1948) served in the Perm and then in the Krasnodar Ministry of Internal Affairs. From 1900 to 1993, he was a member of the Russian Congress of People's Deputies. From 1994 to 2000, he served as deputy minister of internal affairs, where, among other duties, he led a corruption investigation into St. Petersburg governor Vladimir Yakovlev.

Capital: Yekaterinburg

Chelyabinsk	Sverdlovsk
Khanty-Mansii Autonomous Okrug	Tyumen
Kurgan	Yamal-Nenets Autonomous Okrug

Siberian Federal District

Leonid Drachevsky (b. 1942) is a former world champion in rowing who served in the RSFSR State Committee on Physical Education and Sport. He was also Russian general consul in Barcelona, head of the Ministry of Foreign Affairs Department for the CIS, ambassador to Poland, and minister for the CIS. He is considered a moderate reformer and is well liked by the intelligentsia.

Capital: Novosibirsk

Agin-Buryatia	Khakasia
Altai Krai	Krasnoyarsk
Buryatia	Novosibirsk
Chita	Omsk
Evenk Autonomous Okrug	Taimyr Autonomous Okrug
Gorno-Altai Republic	Tomsk
Irkutsk	Tyva
Kemerovo	Ust-Ordyn Buryat Autonomous Okrug

Far Eastern Federal District

Lieutenant General Konstantin Pulikovskiy served as the deputy commander of the North Caucasus Military District and as acting commander of federal troops in Chechnya, where he was famous for issuing an ultimatum in 1996 giving Grozny residents forty-eight hours to leave the city.

Capital: Khabarovsk

Amur	Koryak Autonomous Okrug
Chukotka Autonomous Okrug	Magadan
Jewish Autonomous Oblast	Primorskii Krai
Kamchatka	Sakha
Khabarovsk	Sakhalin

NOTES

1. For a more detailed examination of these issues, see "Russian State Building: The Regional Dimension," by Robert Orttung and Peter Reddaway, a report prepared for the Carnegie Corporation's Russia Initiative, available at <www.carnegie.org>.

2. See "OECD Economic Surveys: Russian Federation" (Paris: Organization for Economic Cooperation and Development, March 2000).

3. <<http://press.maindir.gov.ru>>.

4. *Rossiiskaya gazeta*, 8 August 2000.

5. *Rossiiskaya gazeta*, 1 August 2000.

6. *Rossiiskaya gazeta*, 8 August 2000.

7. *Rossiiskaya gazeta*, 5 September 2000.

8. Nikolai Petrov, "Broken Pendulum: Recentralization Under Putin," Program on New Approaches to Russian Security Policy Memo Series, no. 159.

9. *Rossiiskaya gazeta*, 23 September 2000.

10. See "Latyshev Seeks To Undermine Governors' Economic Base," *EWI Russian Regional Report*, 23 October 2000.

11. Steven Solnick, "The New Federal Structure: More Centralized, or More of the Same?" Program on New Approaches to Russian Security Policy Memo Series, no. 161.

12. See "A Long Way to Go in Establishing Effective Courts," *EWI Russian Regional Report*, 13 December 2000.