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# **Institutional Transition and Local Self-Government in Russia**

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This paper includes the following parts: 1) “Vertical or Triangle? Local, regional and federal government in the Russian Federation after Law 131.”, by Adrian Campbell, and 2) comments to the paper “Softness and hardness of the institutions in Russian local self-government” by Satoshi Mizobata, 3) “Local budget and local self-government in Russia” by Kazuho Yokogawa and 4) “The Struggle for Power in the Urals” by Adrian Campbell and Elena Denezhkina.

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# **Vertical or Triangle? Local, regional and federal government in the Russian Federation after Law 131.**

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## **Introduction**

This paper examines the thinking behind the Russian local government reform of 2003 (“Law 131”) in the context of the evolving relationship between the three levels of authority in the Russian Federation. Law 131’s critics have tended to see the law as part of a straightforward policy of centralisation, aimed at integrating local government into the ‘state vertical’. This paper argues that the motives behind the reform were more complex and may genuinely have included the aim of creating a stable triangular distribution of power between federal, regional and local institutions.

In addition to published sources, the paper draws on the author’s participant observation of the work of the Federal Commission for the Division of Powers between Levels of Government in the Russian Federation (Kozak Commission), at intervals over the period 2002-4, including attendance at sessions of the commission, participation in seminars and conferences related to the Commission’s work and discussions with members of the Commission and its working group on local self-government.

The paper briefly reviews the role of the Law 131 in the work of the Kozak Commission and then considers the wider theoretical aspects of the reform, before considering whether the reform represented a genuine opportunity to establish a triangular balance of power between federal, regional and local levels, and why this opportunity was not fully exploited.

## **Law 131 and its critics**

Since its appearance of its first draft, in October 2002, through its adoption by the State Duma in October 2003, and its coming into force in January, 2006 (and frequent amendments) the Law ‘On the General Principles of Local Self Government in the Russian Federation’ (“Law 131”)<sup>i</sup> has been the focus of sustained debate and controversy, to a degree matched by few other laws that have issued from the Putin administration.

The law was seen by some as bringing local government into the structure of the state, in contravention of Article 12 of the Constitution, through the use of the term ‘public authority’<sup>ii</sup>, it was seen to emphasise administrative-territorial aspects of local government, rather than economic development<sup>iii</sup>, to centralise power while seeking to place the burden of meeting social guarantees on the local level<sup>iv</sup>, it was seen to give governors even more extensive powers over the mayors while concentrating financial resources at federal level, devolving responsibility for social issues and

seeking to include Russia's local government into Russia's hierarchical state structure<sup>v</sup>.

Recentralisation of power from regional to federal level has been one of the defining policies of the Putin administration. However it does not follow that the policy towards local government should be interpreted as a straightforward extension of the same principle of centralisation. Were this the case then it would have been logical for the principle of appointment rather than election, applied to regional heads since October 2004, to have been extended to mayors. Such a step has been seen by some as entirely in keeping with the administration's outlook:

*To..a product of the Soviet system the elimination of checks and balances appears to increase the manageability of the political system. ...the same striving for clarity and order will encompass the sub-regional level ...and may result in the direct subordination of mayors to governors.*<sup>vi</sup>

The option of substituting mayoral elections with a system of appointment from above was openly considered by President Putin as early as 2000, was the subject of much high-profile debate in early 2005, and was then the subject of a draft amendment to law 131 in November 2006. On each occasion the principle appeared close to adoption only to be brushed aside at the last minute, a vocal federal constituency in favour of appointed mayors being obliged to give way to another in favour of elected mayors.

Were law 131 primarily about integrating local government into the state vertical, and if this were all that federal policy on local government amounted to, this repeated recoiling from the idea of appointing mayors would be inexplicable. This paper sets out to explain why the refusal (so far) to appoint mayors was consistent with the principles underlying Law 131, and how the latter was the result of a more complex set of aims.

### **The Kozak Commission**

Law 131 was one of the main outputs of the Federal Commission on the Distribution of Functions between Levels of Power in the Russian Federation, which was convened by the President in 2001, The first chair of that commission was Dmitri Nikolaevich Kozak., deputy head of the Presidential Administration, who had just completed an overhaul of the Russian Federation's judicial system<sup>vii</sup>. Although the Commission revised over 300 federal laws in its programme of federal reform. Most of these were sectoral laws. Two new laws however had a special status as they dealt with the powers of institutions. The second was Law 95 of 2003, which dealt with Executive and representative arrangements in subjects of the federation (regions), and which included for the first time a closed list of regional competences.<sup>viii</sup> On the basis of these laws all the sectoral legislation that covered the shared competences set out in articles 72 of the Constitution were altered.

The reform of local government thus needs to be seen in the context of the wider reform, in which its role was, initially, to be a means of achieving a wider reform of federal-regional relations, not an end in itself. The reform of local government was

not even on the agenda of the Kozak Commission at its inception in 2001. At that stage the emphasis was on altering sectoral legislation, and the idea of revising the law on local self-government of 1995 only came to the fore during 2002, once it became clear that a closed list of regional powers was not possible without clarifying local government's powers and its ability to carry them out. It was not anticipated then that law 131 would become the most visible and most widely debated of the changes initiated by the Commission (with the exception of law 122 on the monetisation of benefits, although here the Commission played a secondary role in a government-led reform).

At the same time it would be misleading to link 131 with all federal policy initiatives regarding local government, as if there were some elaborate conspiracy to centralise power away from local government. Different groups within the federal centre have entirely different agendas regarding local government. Broadly these may be divided into those who wish to see an unbroken vertical hierarchy running from the presidency to the sub-regional level, and those who saw local self-government as a basis for the development of a democratic state.

### **The Commission's Approach**

The Commission was convened to provide a rational solution to the broader problems of Russian federalism as it had developed, including:

1. Overlapping jurisdictions and responsibilities, originated in Article 72 of the Constitution.
2. Unfinanced mandates created both by ill-informed or vague federal legislation, and by unclear responsibilities at each level of government.
3. Distribution of finance, and sources of finance, unconnected with functions and responsibilities at each level of government.
4. Excessive inequality between subjects of the federation (real and perceived), and unsustainable anomalies (such as subjects being located on the territory of other subjects).
5. Lack of checks and balances at the level of the subjects of the federation – local authorities over-dependent on subjects financially, and federal agencies numerous but (allegedly) operationally weak.

The Kozak Commission sought to counter these problems by ensuring the following:

1. All functions contained in the competences listed under Article 72 are assigned to a specific level of government (avoiding the need for an amendment to the Constitution).
2. All sectoral legislation to assign responsibilities, including financial responsibilities to a specific level of government.
3. All functions to be allocated to specific sources of finance (as far as it is practicable to do so).
4. Special agreements between federal centre and regions to be kept to a minimum, and none to have 'treaty' (*dogovor*) status, except in the most exceptional circumstances. The Commission's work has also contributed towards the removal of territorial anomalies in terms of subjects being situated

on the same territory, and is thereby supporting the emerging consensus in favour of regional mergers in order to arrive at a more workable number of subjects of the federation

5. Strengthening of local self-government as a political entity and as a properly financed level of government delivering a substantial range of services.

Observation of the sessions of the Commission showed debates to be remarkably frank, open and informal and characterised by genuine debate. Valery Kirpichnikov, Chair of the Board of the Congress of Municipalities stated that in fifteen years he had not seen such a qualified team or such an intense work programme as on the Kozak Commission<sup>ix</sup>:

*‘The concept was simple. Take existing legislation, literally every second law and you will find that one or another service to the public, or obligation, is to be fulfilled by the executive of the subject of the federation and by local self-government. Everyone is responsible for everything and when everyone is responsible for everything, this is the main and fundamental sign of irresponsibility. The task of the Commission was to remove these difficulties, draw up three columns and under each write who does what and what resources they have for this’<sup>x</sup>.*

The commission was extremely productive, and managed the revision of over 200 laws in less than two years. There is no space to reflect the scale of the Commission’s work here, where we are concerned with the more specific issue of local government and whether, how and why the Commission’s Law 131 did or did not serve the interests of local government as an institution.

It is useful to summarise the main points and rationale of the reform via Kirpichnikov’s account, as a member of the Commission:

*The first major change was the territorial structure of local self-government – one third of subjects do it one way, one third another way and in the last third there is no local self-government at all... In Tyumen (Governor) Roketskii was for the settlement model, and then in his place came (Governor)Sobyanin who was for the territorial model and changed everything. The same in Orenburg and Kursk..The new law brings local self-government closer to the people via two types. The first type is settlement – if it’s over 1,000 population it should be a municipal formation. The second type brings together these settlements, currently in rural raions (districts) and makes these municipal raions. – existing boundaries taken so as not to break things but make maximum use of what is currently there). Each type given its powers, a closed list which can only be added to by a law of the subject. Why? In 7 years of the current law, not one subject has added a single local function, but regions have been adept at re-naming their state powers as local and passing them down, naturally without funds’<sup>xi</sup>*

## **Composition of the Commission and the working group on Local Government**

The commission has been criticised for its composition<sup>xii</sup>, which included only two regional and two local government representatives, but drew instead on the presidential administration, government ministries and specialist institutes. This has created the impression that the law was put together by person wholly removed from municipal reality, and with a centralist agenda – in contrast to the more localist Law of the same title of 1995. This is a misleading view on both counts.

Although there would have been strong arguments in favour of including more serving governors mayors and councillors, this should not obscure the fact that the working group which prepared the text of Law 131 (and all subsequent Kozak and Shuvalov<sup>xiii</sup> Commission legislation on local government) was dominated by people strongly identified with local government, and specifically with the Congress of Municipalities throughout its history. The working group was chaired by Vitaly Shipov, formerly mayor of Kaliningrad and chair of the Congress of Municipalities of the Russian Federation, Igor Babichev, secretary of the Congress, Oleg Syssuev, the President of the Congress, Vitaly Chernikov, formerly Mayor of Kaluga and a leading expert of the Congress. Valery Kirpichnikov, founder of the Congress, was a member of both the working group and the Kozak Commission.

Secondly, the other members of the working group had been heavily involved associated with the 1995 reform – including Alexander Shirokov, also a former mayor, a key author of both texts, Leonid Gil'chenko, deputy president's representative of the Volga region (also a former mayor and a well known expert on local government), and Alexander Zamotaev, an expert on local government from the presidential administration.

Those who had been involved in the previous law did not (as a rule) share the idealised view of that law that has subsequently become common among critics of law 131. Shirokov in particular came to the view that the previous law needed to be altered substantially and the paper, written before the Kozak Commission was formed, in which he outlines the changes needed reads like an early draft of Law 131<sup>xiv</sup>. Igor Babichev describes how the authors of the 1995 law agreed that they would revise it within five years and that this work had commenced in 2000, again before the Commission was set up<sup>xv</sup>

It might be argued that the group were obliged to follow the concept set out by Kozak. Whilst formally correct this ignores the degree to which Kozak's concept of a two-tier local government system, was derived from critiques of the existing law by the members of the working group and others in the local government policy network that had become established in connection with the 1995 Law and its aftermath. Babichev, in the paper cited above, regards the introduction of the two-tier structure as the most revolutionary innovation of the new law, ending the 'artificial uniformity' of municipalities under the previous law. Vladimir Mokriy, the chair of State Duma Committee on Local Self-Government<sup>xvi</sup> considered that it had been clear from the start that the law of 1995 would not be implemented in most parts of the country, since it did not deal with the relationship between local self-government and the state at a territorial level, and ignored the existing system of raion state administration which continued to exist under the guise of local self-government in many subjects.

The introduction of municipal raions was seen to provide territorial basis for co-operation between local self-government and the state.

A similar analysis was presented as early as 1998 by a team from the (then) Ministry of Nationalities, responsible for local self-government<sup>xvii</sup>, who noted the widespread use of pre-existing state administrative raions as the first level of local self-government under the 1995 Law. At the same time the authors understood that ‘to avoid discrediting the new system of local self-government the organisation of municipal formations on the level of villages and rural councils in most cases, and at the level of small villages and hamlets in all cases, is unrealistic and pointless’. This implied that a two tier system might work better, although the authors appeared to go one stage further a consider letter local government develop via a two-stage process – becoming established first in larger units and then extending the principle to smaller settlements over time. This would suggest that the error in Law 131 was not the establishment of a two-tier system (without which the system would not work) but in that it attempted to introduce a strongly settlement-oriented principle from the start, which could only lead to large numbers of small municipalities<sup>xviii</sup>.

### **The Reform becomes enmeshed in the Monetisation of Social Guarantees.**

At first the Commission’s aim appeared to be to reduce the dependence of the Federal state on the regional level, by transferring powers either up to the federal level or down to local government (by creating a formal system for delegation of powers and local government units at district level capable of carrying out delegated functions. Transferring powers and responsibilities to the federal level encountered a major obstacle, however. The Commission became aware that successive laws (mostly from the late 1990s) had lead to a position where accumulated expenditure responsibilities on social guarantees were twice as great as the amount of budget funds available for that purpose. This led to what appeared to be a change in strategy. Shared responsibilities (which were not being met by any level) were to be divided between levels of government according to the proportion of actual expenditure currently incurred at that level. It would then be incumbent on the level concerned to decide what level of guarantees it would meet and on what basis, out of its own resources<sup>xix</sup>.

The regional representatives on the Commission were less than enthusiastic about this approach, preferring that more social responsibilities might stay at the federal level, at which Dmitri Kozak commented:

*When we talked about earth’s resources then we heard all about the principles of federalism, now we’re talking about social responsibilities we are hearing less...This is about decentralisation of powers and of money. No function should be devolved without decentralisation of the corresponding revenue resources. This is the principled position of the President. Of course there will always be too little, but we have to distribute real money and send it to the right level<sup>xx</sup>.*

The Commission’s approach, driven by the need to pay off external debts as well as the desire to rationalise state spending, led ultimately to Law 122 on the monetisation of state benefits which provoked street protests the like of which had not been seen since the early 1990s. The policy may have been the government’s rather than the

Commission's but it was to have significant knock-on effects for the policy of strengthening local government as an institution. In order to delegate the hard choices on social guarantees down to regional level, a greater proportion of funds than previously envisaged was transferred to the regional level (who had been previously hit by budget cuts).

This had two effects as far as local government was concerned. The Commission had repeatedly stressed that the aim of its activity was to divide powers and responsibilities between levels and then ensure that adequate 'own' revenue sources were made available through amendments to the Tax and Budget Codes, thereby avoiding the chaotic practices of the 1990s, when subjects had routinely re-designated their responsibilities (under article 72 of the Constitution) as local responsibilities and passed them down to local authorities as unfunded mandates. This is probably the most justifiable criticism that may be made of the reform, that it did not lead to the expansion in local tax income that would have been expected from the outset and would be necessary for its success. Instead it proved necessary to increase the subject's budgets to meet expanded social expenditure (the transfer did not lead to the anticipated reductions).

This led to a vicious circle whereby local government's role in large multi-level functions such as education, health and social support were reduced in favour of the subjects, on the basis that local authorities did not have sufficient budget<sup>xxi</sup>. There were debates within the working group and the Kozak and (later) Shuvalov Commission over the risks in allowing the long-term policy of division of power between levels of government to become intertwined with a deeply unpopular rationalisation of social guarantees, but considered that there was no option – this was the largest issue arising from the overlapping jurisdictions of Article 72, and therefore had to be confronted. This underlines the importance of seeing the local government reform in the larger context of the reform of the federal-regional division of competences.

For its part the Ministry of Finance does not appear to have envisaged a massive transfer of funds to local government. The head of the budget department of the MinFin, Alexei Lavrov saw the priorities as being first to establish a local government structure where functions were clearly assigned according to a two-tier structure, then to ring-fence local budgets from regional interference, standardise the system for delegating state competences to municipal districts. Only then could any serious expansion of local budgets take place (part of a wider system of introducing results-based budgeting across the State sector)<sup>xxii</sup>.

The intertwining of the Kozak reform agenda with that of the monetisation of social benefits this led to unintended consequences and suggests that there were limitations to what could be achieved by a systematic and rational reform programme, despite the very substantial scale of legislative changes carried through. This brings us to consider the reform campaign concerned can be incorporated into a theoretical understanding of the current evolution of the Russian State.

## Russian Federalism between *gemeinschaft* and *gesellschaft*

In order to analyse the changes brought about in the early years of the Putin presidency Robinson<sup>xxiii</sup> proposed a framework derived from two sets of opposed ideal types: *absolutist* versus *constitutional* (whether power is concentrated or divided) and *bureaucratic* (in the Weberian sense) versus *patrimonial* (whether or not officials are selected through patronage and have personal access to the state's resources). Robinson sees the Yeltsin period, particular the late 1990s as characterised by constitutional patrimonialism, that in which the state has the least capacity and the least organisational integrity, the injustice and inefficiency of patrimonial regimes, without the certainty and authority of absolutism or the accountability of democracy.

Of the four possible combinations constitutional patrimonialism is the least stable and the least likely to endure. For all Yeltsin's brinkmanship<sup>xxiv</sup>, it was clear that any successor would need to move the state in a different direction<sup>xxv</sup>. In terms of the framework there are three possibilities – constitutional-bureaucratic (the Western model) and absolutist-patrimonial (the Third World authoritarian regime) or bureaucratic absolutism. Putin's modernisation project from 2000 onwards could be seen as to move Russia away from the weakness and uncertainty of constitutional patrimonialism and towards either constitutional bureaucracy or absolutist bureaucracy. The oscillation in foreign policy in Putin's first term between European and Chinese reference points reflected this<sup>xxvi</sup>, although in the first term the long term aim of a European-style constitutional-bureaucratic model dominated, so that if absolutism were to be used it would be a means of moving towards the Western model. This was the basis of the alliance between economic reformers and strong state advocates that supported Putin. The argument for this two-stage approach would run as follows:

- a) it is not possible to move from the chaos of constitutional patrimonialism directly to constitutional bureaucracy, as the weakness of the state has removed the capacity to create a rule-based bureaucracy (or, by extension, a law-based *Rechtstaat*).
- b) this transition can only be done via absolutist bureaucracy. Constitutional bureaucracy requires the rule of law, and this can only be achieved by reasserting the power of the state. Power must be re-centralised. Then, once the rules have been established and are being observed, power can be decentralised once again.

Figure 1. Robinson's (2002). Framework of State Transition in Russia (notes in brackets added).

<p>Constitutional Patrimonialism</p> <p>1</p> <p>(Yeltsin Era/1990s fragmentation, private oligarchs)</p>	<p>Constitutional Bureaucracy</p> <p>2</p> <p>(Western Pluralist Rechtstaat)</p>
<p>Absolutist Patrimonialism</p> <p>4</p> <p>(regional regimes, 'official oligarchs')</p>	<p>Absolutist Bureaucracy</p> <p>3</p> <p>('dictatorship of law')</p>

This would involve moving from quadrant 1 and entering quadrant 3 as a precondition for entering the final destination, quadrant 2. In some respects this may be seen as the trajectory of Russia's modernisation, at least as it appeared during Putin's first administration, absolutist bureaucracy (quadrant 3) being seen as preferable to absolutist patrimonialism (quadrant 4) which would be antithetical to modernisation.

It would be misleading to consider quadrant 3 as a return to the USSR, since absolutist bureaucracy need to imply control of the entire economy, only over the political system and machinery of government. It would involve some of the form of the Soviet system, but not its content. The movement from quadrant 1 to 3 may still be seen as modernisation in that it involves (at the level of federal-regional relations) a shift from *gemeinschaft* (the informal power of quadrants 1 and 4) to *gesellschaft* (the law-based authority of quadrants 2 and 3)<sup>xxvii</sup>.

This logic is not without plausibility although it is clear there are two potential problems. Firstly, the move from Quadrant 1 to Quadrant 3 entails the removal of the checks and balances that operate (however imperfectly) in Quadrant 1. Secondly, the movement from one quadrant to another may be carried out by judicial (and legislative) means and by administrative pressure<sup>xxviii</sup>. If administrative pressure predominates, movement to a democratic law-based state could be impeded<sup>xxix</sup>, although a purely legal approach without development of wider support and engagement might be too weak.

A weak change coalition can prevent the values underlying the change from being institutionalised and normalised, leading to a return to rule by power rather than law<sup>xxx</sup>. Anything other than an optimal balance between judicial, administrative and political could, in the absence of a system of checks and balances, lead to slippage in the direction of absolutist patrimonialism (Quadrant 2). Centralising power without

changing the principles by which it is exercised may amount to exchanging one form of patrimonialism (differentiated) for another (integrated). This lay behind the perception (in late 2006) that the mono-centric system established by President Putin could, on his departure, or even earlier, revert into a polycentric system of 'feudal pluralism'<sup>xxxii</sup>. The problem is as before a lack of state capacity, or rather insufficient state capacity for the strategy adopted, leading some to question whether the vertical hierarchical approach associated with the current administration is necessarily more effective than the discredited decentralised approach of the Yeltsin period<sup>xxxii</sup>

A further theoretical dimension may be provided by placing the model in the context of the Romantic-Baroque distinction developed by Chunglin Kwa<sup>xxxiii</sup>. The first quadrant implies acceptance of a degree of (baroque) complexity in the governmental system and the idea of each element and each situation requiring special arrangements and deals. Quadrant 4 also involves a baroque type of complexity behind apparent unity – the type of incipient feudalism liable to emerge in the event of a weakening of an autocratic regime. The right hand quadrants are both, by this definition, romantic, in that they attempt to apply an overarching rationalist conception to deal with complexity (quadrant 2 – although this may be seen as overlaying baroque elements) and eliminate it altogether (quadrant 3 – which has no trace or tolerance of the baroque). The Kozak Commission may be seen as having been split between these two approaches, that of creating a system to deal with complexity and that of seeking to eliminate it. This may be seen as reflected in the choice of a dual local government system – the small settlement model being a unit of baroque complexity and specificity, whereas the territorial district reflects the romantic view of state bureaucracy uniting through uniformity.

The framework, understood in this way, helps to explain the otherwise curious nature of the political/professional alliance that supported the Putin administration – ex-secret service personnel, economic liberals and 'St Petersburg lawyers'<sup>xxxiv</sup>. All three groups might be expected to regard the combination of fragmentation at the centre and entrenched quasi sovereign regimes in the regions with displeasure, albeit for different reasons. The alliance may be seen to derive from the St Petersburg mayoralty post 1991 (where Vladimir Putin served as Deputy Mayor for External Affairs and Dmitri Kozak as head of the legal department, and to have grown out of the split between two groups of liberals, those attached to the late 1980s ideas of democracy from below, and those who had come to the view that reform required strong executive rule<sup>xxxv</sup>. Those who had supported the council against the executive in St Petersburg and elsewhere were generally strong supporters of the principle of local self-government as a popular rather than state institution<sup>xxxvi</sup>. Thus the schism that occurred after 1991 in St Petersburg within what had been the liberal intelligentsia was to focus in the longer term around the issue of local self-government, which, as a result, took on major symbolic as well as practical significance, as the terrain on which a compromise was still sought between state pragmatism and the democratic ideals of the late 1980s.

However, the significance of the Robinson framework, as far as local government is concerned, lies more in the degree to which Russian regional interests tend to be based on the left hand *gemeinschaft* of the framework, as subjects of a pluralistic constitutional patrimonialism (Quadrant 1) or (as in the case of the more autocratic

titular republics of the Federation) in Quadrant 4 as domains of absolutist patrimonialism in their own right.

In terms of this framework, Law 131 with its emphasis on rationalising and clarifying the division of powers and responsibilities between levels (and with clarifying the rules for delegating functions between levels) was clearly aimed, as was the entire project of the Kozak Commission, at moving the system of inter-governmental relations from the left (*gemeinschaft*) side of the framework to the right (*gesellschaft*) side, substituting rules for informal arrangements. As one senior federal official put it:

*The problem was the habit of 'living by unwritten rules' rather than by laws, these unwritten rules being neither in local government's nor the public's interest, but in the interests of internal departmental procedures. This is the first law of its kind<sup>xxvii</sup>*

The paradox of the Kozak Commission is that, the more the law's authors sought to contain regional power through clarification and rationalisation of the division of powers between federal and regional government, the more difficult it became to use traditional (i.e. more patrimonial) counters to regional power. In the end the most effect counterweight to a tough regional patrimonial regime may well be a strong mayoral regime at municipal level. However the reform itself was, through the reinforcement of rational rules, to render the establishment or maintenance of such mayoral regimes more difficult.

### **Local-Regional Conflict**

Where Subjects of the Federation (regions or republics) operate within Quadrant 4 local government is largely or entirely subservient to the regional authority<sup>xxviii</sup>. It would be wrong to imply that patrimonialism was more prevalent at regional level than at federal or local level. However, the more a regional authority inclined towards patrimonialism (especially of the absolutist type) the more local authorities were likely to be under pressure. As one senior federal official commented:

*If the subjects of the federation had the power, there would be no local self-government at all<sup>xxvix</sup>.*

There were regions such as Vologda and Tambov where the regional administrations were supportive of local autonomy, but there were many others where local autonomy was kept to the absolute minimum. Larger cities, typically regional capitals, were as a rule caught in a zero-sum struggle for power and resources against regional heads<sup>xl</sup>, exacerbated by the lack of clarity between local and regional (and federal) jurisdictions.

The struggle for supremacy between mayors and governors has in many ways been analogous to the power struggle between regions and the federal centre. There is a fundamental difference, however. Although the federal centre has often targeted individual regional heads, centre-regional tensions have tended to be manifested and mediated through collective institutions such as the upper house, the Federal Council (especially prior to 2001 when regional heads were still *ex officio* members of that

body). Even in the late Yeltsin period, when special agreements with individual regions were the federal authorities preferred method of dealing with conflict, and according to some the most effective<sup>xli</sup>, it could be said that it was the collective bargaining power of the regions as a whole that kept the federal authorities on the defensive.

Local-regional tension, by contrast, has tended to manifest itself through individualised conflict between governors and mayors, with usually only the regional capital involved - the pattern of Russian urbanisation is such that in most regions there is only one city substantial enough to challenge or resist the regional authority<sup>xlii</sup>. This conflict appears to be endemic to the system – some have suggested that it would exist even under a system of appointments:

*Prussak (former governor of Novgorod region) got his own person elected when the Kursunov (mayor of Novgorod city) died, but within six months they were enemies. The conflict is in the structure not the personalities or whether they are elected or appointed<sup>xliii</sup>*

Conflict between municipalities and the State thus tends to be on a one-to-one basis, involving the State at regional rather than federal level, and does not directly involve federation-wide collective institutions such as the Congress of Municipalities or the Union of Russian Cities. Although the Congress of Municipalities was closely involved in the process of developing Law 131, the lack of a tradition of federal lobbying of municipal interests was to put the municipal point of view at a disadvantage when it came to passing the draft law through the Federal Council, and regional interests began to make their presence felt.

The degree to which, in Russian federalism, tensions have been common between federal centre and regions and between regions and the larger municipalities, but not directly between federal centre and municipalities (until very recently), raises the question of whether a common interest in containing regional power existed between federal and municipal authorities.

In terms of the Robinson model, discussed above, this question takes on considerable significance. The Federal centre cannot by laws alone bring about the modernisation of the state and its constituent regions and attempts to compensate for this by using administrative methods risks undermining its own modernisation through the accumulation of unaccountable power at the centre. If, on the other hand, pressure was exerted on the regions through the development of municipalities as a countervailing force, this would lessen the need for administrative methods to be applied from above, and would enable the reassertion of federal authority and modernisation to take place in accordance with the principles of pluralism and constitutionalism, rather than risking their abandonment and with it the integrity of the modernisation agenda.

## Vertical or Triangle?

The notion of deploying local authorities as a political counterweight against the regions dates back to the nineteenth century councils (*zemstvos*) – seen as part of a system of ‘constrained autocracy’<sup>xliv</sup> and it may be seen as a natural consequence of Russian adversarial political culture and geographical expanse. As Sakwa has observed:

*Local self-government has the potential to become a powerful third tier, something fostered by the central authorities as a way of undermining the trend towards the regionalisation of Russia*<sup>xlv</sup>

It has, however, rarely been supported with any sustained commitment from the federal centre, due to the lack of a strong enough pro-local government group at federal level, where there are also groups who are wholly unsympathetic to local autonomy. The Yeltsin administration did attempt to revive the strategy, particularly through the localist local self-government law of 1995, but the abolition of local councils in 1993, in the wake of the clash with parliament sapped the ability of local government (even once reconstituted) to fulfil this role<sup>xlvi</sup>. The idea of local government as a ‘second front’ in the struggle between the centre and the governors was considered, but the speed with which Putin was able to establish the seven federal districts to oversee and coordinate the regions was seen to reduce the necessity of this second front<sup>xlvii</sup>. Early in his first term it appeared that Putin supported this strategy, but even at that stage (in 2000) he seriously considered doing the reverse – allowing mayors to be appointed by governors - in exchange for concessions from the governors. This was the bargain that was implicit in Putin’s statement:

*“If the head of a territory can be dismissed by the country’s president under certain circumstances, he should have a similar right in regard to authorities subordinate to him..This is not just a right thing to do, but simply necessary in order to restore the functional vertical structure of executive power in this country..It would mean we are living in one strong country, one single state called Russia”*<sup>xlviii</sup>.

In the event the Duma agreed with the proposal on condition that it should be the President and not regional heads that would have the power to sack mayors. This was unacceptable to the Federal Council (upper house of regional representatives) and the proposal was dropped<sup>xlix</sup>.

It is clear that the aim of restoring the vertical is to strengthen Russia as a state, a *derzhava* or power, and that it is the regions that provide the potential threat to unity, with the sub-regional level being (apparently) offered as a concession to secure the loyalty of the regions. The tendency for the Putin administration, despite its rhetoric, to strike bargains with regional leaders, giving them monopoly of power in their own region provided they were loyal to the centre, has been noted by Matsuzato<sup>1</sup> and contrasted with the Yeltsin administration’s approach. Yeltsin feared separatism where regional leaders were too well entrenched and backed challengers to unseat them. Putin has been more inclined to use the party United Russia and other means to exact loyalty from regional leaders, but has apparently been content to leave them with their regional monopoly of power intact where they are loyal. This approach supports the *derzhava* rationale for centralisation, but runs counter to the

constitutional rights argument for centralisation that was often used during Putin's first term. . If the aim of centralisation is to ensure that citizens enjoy the same rights regardless of where they live within the Federation, then supporting authoritarian regional regimes cannot long remain a feature of that policy.

The idea of a local counterweight does have an enduring residual acceptance in the federal centre, such that each time proposals for appointment or dismissal have been raised they have been opposed successfully whether in the Duma or (even) in the Federation Council of regional representatives. This may reflect a recognition that a structure based on checks and balances (what we have here termed a triangular structure) may be more robust than a simple vertical structure, due to limitations placed on any vertical hierarchy by principal-agent theory<sup>li</sup>

It is worth considering why the debates on local government reform have tended to be polarised between those the 'statists' who see local government as part of an unbroken vertical line of authority and accountability and those who see it as entirely disconnected from that line. The alternative, which we have referred to here as the 'triangle' option, would draw on the original Florentine notion of the balance of power<sup>lii</sup>, whereby three or more parties in potential conflict prevent any one of their number from becoming too powerful. Thus all stay in the game and none wholly dominate the game. However the participation in this approach would imply the recognition that complete control over other actors is not possible, and this would run counter to the tendency in Russian political culture to maximise rather than optimise control.

However it is not necessary for local government to actively pursue this role for it to be effective. Simply by virtue of being autonomous municipalities can exert restraint on the growth of regional power – as I.V. Babichev, the secretary of the Congress of Municipalities argued:

*If local autonomous self-government is absent from the federal state, the self-sufficiency of the Subjects would threaten the existence of the Federation<sup>liii</sup>.*

This view is seen by some to be understood by all sides:

*There will be no appointment of mayors for political reasons. There needs to be a counterweight to governors, and the Subjects (regions) know that. The talk of appointment of mayors was only to soften the blow of the appointment of governors<sup>liv</sup>.*

### **The 'Triangle' under Strain**

The problem of the 'triangle' or 'balance of power view of federal-regional-local relations is that it comes under pressure in the run-up to federal elections, when the loyalty and support of regional heads comes at a premium. As one commentator put it:

*Now that the Kremlin is 'perfecting' local self-government by means of turning it into a system of opposition to the gubernatorial power...can the Kremlin rely on governors' support at the parliamentary or presidential election?"<sup>lv</sup>*

What premium can be offered to regional heads? It is a choice between extra resources (which cannot by definition be granted to every region) or political support against sub-regional rivals (which is potentially available to all regions).

One interviewee saw the electoral cycle as influencing the ebb and flow of the centre's support for local government was seen as de-stabilising:

*Local self government has ended up as an instrument of political struggle – between elections – each president starts by developing local-self-government, then makes peace with governors. This is wrong – it should be about people's needs not politics<sup>lvi</sup>.*

Given that the progress of Law 131 from its genesis in early 2002 through to its adoption in October 2003, with amendments beginning almost immediately (and becoming a regular feature as the implementation of the reform progressed) straddled most of the electoral cycle, right up to the presidential election of 2004, it should be possible to test this hypothesis regarding whether the evolution of the law became more pro-regional as the election approached. Some commentators saw this effect at work as the draft law was being finalised in late 2002.

*Why make people angry before an election? The fate of Dmitry Kozak's municipal reform is a very convincing example – first the reform was carried out fast enough, however of late its tempo has considerably slowed down. At present there are numerable consultations with regional leaders.<sup>lvii</sup>*

This comment was proved wrong in terms of tempo, but there did seem to be a perceptible change in the style with which the reform was approached after mid-2002. In early 2002 the rhetoric was very strongly in favour of local government as a constitutional principle that was being denied by a substantial proportion of the Subjects of the Federation<sup>lviii</sup>. The impression was very much of a joint campaign by an alliance of the Presidential Administration (or rather a section of it – and not including the legal division) and the Congress of Municipalities, with the aim of promoting local government and containing the power of regions to interfere with local authorities. As a member of the working group on law 131 put it:

*Municipalities will have no fewer own powers than under the existing Law - under which they already have more than in Europe. Delegated powers will be increased - so they will have more power overall. Small municipalities will lose those that they cannot deliver. However it is hard to imagine greater dependence on the regional level than at present. We have tried to remove any dependence on the regional level altogether... We can judge by the reaction of the regions. They're not happy, so therefore what we're doing must be right. Yes, they will be distributing more money, but they will be having to do it according to new rules.<sup>lix</sup>*

However by the Autumn of 2002 there were signs of strain in this alliance. On a number of issues the Commission appeared to have different views from some of those (though not all) in the Congress who had previously supported the reform wholeheartedly. By June, 2003, when Vladimit Putin attended the annual conference of the Congress of Municipalities, there was no disguising the discontent of municipal leaders including leaders of the Congress and the project of building up local

government as a counterweight to regional government seemed to have fallen into at best a reserve option (though clearly retained, as described above).

## Conclusion

Why did what we have termed the ‘triangle’ concept of federal-regional-local relations not take hold in the course of the local government reform of Law 131? The reason may have been electoral considerations, as suggested above, but an even simpler explanation is possible. From September, 2002 Dmitri Kozak and his team were preoccupied with getting the law through the Federal Council. This brought him into contact with a much better organised lobbying body than the Congress, and compromises (although more in style than substance) were necessary to win support. The Congress on the other hand, had never managed to evolve into a genuinely powerful representative body, partly because of its own internecine problems<sup>lx</sup> and partly because, as described earlier, the lack of an established interlocutor/relationship at the Federal level.

Following the establishment of the seven federal districts in 2001, the territorial directorate in the Presidential Administration was abolished. The other main central interlocutor was the Ministry of Nationalities which was reorganised and re-created under various names before being incorporated into the Ministry of Economy, soon after which its local government related functions were transferred to the new Ministry of Regional Development which is only gradually developing a curatorial role for local government<sup>lxi</sup>. This lack of an institutional dialogue meant that the cities and towns that were in conflict with regional heads had no standard means of dealing with the federal state as corporate bodies. It also meant that federal officials derived their information about the situation on the ground from regional heads, with whom they were more likely to have official contact.

In 2001, when the Kozak Commission was established, the President of the Association of Russian Cities (which forms part of the Congress) the Mayor of Ekaterinburg, Arkady Chernetsky asked Kozak personally whether he might fill the vacuum and be, in effect, the federal curator for local government<sup>lxii</sup>, and although this was never formalised there was a period during which Kozak appeared to be acting in the capacity of champion of local government. Kozak believed that local government should not be coordinated by a central ministry but through a network or association coordinated from the centre<sup>lxiii</sup>. This was the role that clearly seemed to have been marked down for the Congress of Municipalities, and in early drafts of the Law, the Congress was referred to by name as being responsible for organising local authorities, which would be obliged to join the Congress (which may help to explain some of the Congress’ enthusiasm in the early stages of developing Law 131). Late in 2002 this was changed as it became clear that this role would deprive the Congress of its voluntary non-governmental status, even if it were to increase its influence. Instead law 131 has led to obligatory associations being established in each Subject of the Federation, leaving the Congress in an ambiguous position.

In conclusion, one may state firstly that the centralisation campaign of the Putin administration was never uniform regarding local and regional government, and that the notion of local government as a counterweight to regional power has survived. On

the other hand it remains largely undeveloped as an idea, with no mechanism to give it greater application. This is not, it is argued, due largely to any conspiracy by the federal centre, but more to as yet weak capacity in local government's own federal-level institutions. This in turn may be explained by the absence of any substantial and continuous institutional dialogue between the federal centre and local government.

In terms of the evolution of the Russian state, the limited degree to which the 'triangle' of federal, regional and local power has developed has led to the development of what may prove to be a brittle 'state vertical' once again vulnerable to the development of patrimonialism both at the centre and in the regions. Support for a balance of power between the three levels would have helped to secure movement towards constitutional democracy. The experience of the Kozak Commission suggests, however, that a rational approach to establishing a law-based state may have unintended consequences, and a more pragmatic approach may after all be required.

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## Notes

<sup>i</sup> Federal Law 'Ob *obshchikh printsipakh organisatsii mestnogo samoupravleniya v Rossiyskoi Federatsii*' (131/2003). 26<sup>th</sup> Edition, Moscow, Yurait, Pravovaya Biblioteka, 2007.

<sup>ii</sup> *Yeshe odno ogosudarstvleniye*. Interview with N.B.Kosaryeva, President of the Foundation 'Urban Economics Institute', *Konservator*, 25.10.2002. This view is disputed by A. Campbell, 'State versus Society? Local Government and the Reconstruction of the Russian State, *Local Government Studies* 32:5. 2006, 659-676. According to V.A.Lapin and V.Y. Lyubovniy 'Reforma mestnogo samoupravleniya I administrativno-territorial'noye ustroystvo Rossii'. Moscow, Izdatel'stvo Delo, 2005, publichnaya vlast is defined (p.134) as 'power derived from the people', and the 'system of public power' as having as elements bodies of state power and bodies of local self-government. This accords with international usage and in no way contradicts the constitutional principle of separation of local self-government from the State.

<sup>iii</sup> Institut Ekonomiki Goroda (Institute of Urban Economics), Moscow Positsiya Fonda "Institut Ekonomiki Goroda" po proektu FZ "Ob obshchikh printsipakh organizatsii mestnogo samoupravleniya v RF". www.urbanecomomics.ru 21.01,03

<sup>iv</sup> Marina Liborakina 'Atribut vertikal vlasti ili osnova grazhdanskogo obschestva' *Perekryostok* No. 1 (Winter 2003) (executive director of the Foundation Institute of Urban Economics): 'The attempt to make local self-government part of the vertical of public authority in a country as large and diverse as Russia is bound to fail'.

<sup>v</sup> R.Orttung 'Key Issues in the Evolution of the Federal Okrugs' in P. Reddaway and R.Orttung (eds.) *The Dynamics of Russian Politics* vol. 1 Putin's Reform of Federal-Regional Relations. Lanham, Rowman and Littlefield, 2004. pp 43-5.

<sup>vi</sup> N. Petrov and D. Slider 'Putin and the Regions' in D.L. Herspring (ed.) *Putin's Russia*, Lanham, 2005. pp 237-258.

<sup>vii</sup> D.N. Kozak had headed the legal department at St Petersburg City Administration, when Vladimir Putin had been head of external affairs. Kozak was to manage Putin's re-election campaign in 2004, and headed the secretariat of the RF government from where in 2004 he led the reform of federal administrative structures of 2004 which separated ministries, services and agencies. Since November, 2004 he has been Presidential representative in the Southern Federal District, which includes the North Caucasus.

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viii Federal Law ‘Ob obshchikh printsipakh organisatsii zakonodatel’nykh (predstavitel’nykh) i ispolnytel’nykh organov gosudarstvennoi vlasti sub’ektov Rossiiskoi Federatsii’ (95/2003).

ix V.A. Kirpichnikov (chair of the board of the Congress of municipal formations) ‘*Planiruyemiye izmeneniya v zakonodatel’stviye po mestnomu samoupravleniyu*’ in V.B. Zotov (ed.) Mestnoye Samoupravleniye v Rossii, Moscow, “Os’-89”, 2003. pp 45-50

x Kirpichnikov, op.cit,46.

xi V.Kirpichnikov op.cit.46-8.

xii T.Lankina, *Governing the Locals*, Lanham, Rowman and Littlefield, 2004.

xiii Alexander Shivalov replaced Dmitri Kozak as chair of the Commission on the division of powers between levels of government in late 2003, when the latter moved to the *apparat* of central government (in the process replacing Shuvalov as chair of the commission on administrative reform

xiv This has been discussed in A. Campbell ‘Local Government and the Russian State’, *Local Government Studies* 32:5 2006. pp 659-676.

xv V.Babichev (secretary of the Congress of Municipal Formations) ‘Mestnoye samoupravleniye v postsovietskoi Rossii: nekotoriye itogi i prognozi’ in A.V.Ivanchenko (ed.) Konstitutsionniye i zakonodatel’niye osnovi mestnogo samoupravleniya v Rossiskoi Federatsii, Moscow, Yurisprudentsia, 2004, pp 175-220 .

xvi V.S. Mokriy ‘Mestnoye samoupravleniye: vchera, segodnya, zavtra’ in V.B. Zotov (ed.) *Mestnoye Samoupravleniye v Rossii, Moscow*, “Os’-89”, 2003. pp 36-44

xvii Yu.V. Yakutin (ed.) ‘Samoupravleniye v Rossiskoi Federatsii’ Moscow, Vneshinform, 1998

xviii This issue has been dealt with in Campbell op.cit. 2006 so is not discussed further here.

xix Session of the Kozak Commission, 18 June, 2002. Authors included Leonid Giltchenko (then head of the Territorial Directorate of the Presidential Administration), and Alexander Mal’tsev (then vice-chair of the Duma Commission on Local Self-Government).

xx Session of the Kozak Commission 25 June, 2002.

xxi Discussion with senior federal official, 14.12.05.

xxii Alexei Lavrov, presentation at Gorbachev Foundation, 19 February 2004.

xxiii N. Robinson ‘Russia: a State of Uncertainty’, London Routledge, 2002. p.2-6.

xxiv In an interview with the author in June, 2006, a representative of the Social Democratic party of Russia, usually highly critical of Yeltsin, nonetheless argued that had Yeltsin been President of the Soviet Union rather than the Russian Federation, the Union would have survived the crisis in its relations with the constituent republics.

xxv This view coincides with J.L.Linz and A.Stepan’s concern (in ‘Problems of Democratic Transition and Consolidation’, Baltimore, John Hopkins Press, 1996) that in Russia economic reform had been privileged over democratic reform (p.392), and also their inclusion of a functioning state administration as a precondition for successful democratic transition.

xxvi Thumann, M. (2002) *Das Lied von der Russischen Erde*, Deutsche Verlags-Anstalt, Stuttgart.

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<sup>xxvii</sup> See C. Lever-Tracy 'A Civilised Gemeinschaft – Ally of Civil Society in Capitalist Development, in Szelenyi 60, Rutgers University, 1998, <http://hi.rutgers.edu/szelenyi60/lever-tracy.html> for the view that in China gemeinschaft has been the driver of development.

<sup>xxviii</sup> We may note that the Kozak Commission sought to integrate the Federation primarily through judicial means. The Commission did not appear to regard the federal districts as having a key role in federal-regional relations and did not seek to strengthen their role. Following Kozak's appointment as head of the Southern Federal District his approach to this institution may be seen to have changed.

<sup>xxix</sup> See G.Hahn Putin's "Federal Revolution": The Administrative and Judicial Reform of Russian Federalism, *East European Constitutional Review*, 10:1 Winter 2001

<sup>xxx</sup> See H.Wollmann and N. Butusova 'Local self-government in Russia: precarious trajectory between power and law' in H. Baldersheim, M. Illner and H. Wollmann (eds.) *Local Democracy in Post-Communist Europe*, Opladen, Leske and Budrich, Urban Research International Series 2 (2003).

<sup>xxxi</sup> A. Ryabov, Feodal'ny pluralism, [http://www.gazeta.ru/comments/2006/12/19\\_a\\_1170672.shtml](http://www.gazeta.ru/comments/2006/12/19_a_1170672.shtml)

<sup>xxxii</sup> [http://gazeta.ru/comments/2006/12/20\\_e\\_1173210.shtml](http://gazeta.ru/comments/2006/12/20_e_1173210.shtml)

<sup>xxxiii</sup> C. Kwa Romantic and Baroque Conceptions of Complex Wholes in the Sciences. In A. Mol and J. Law (eds). *Complexities*, 2002, Duke University Press, 23-52. See also J.Law. And if the Global were Small and Incoherent: method, complexity and the baroque, in *Environment and Planning D: Society and Space*, 2004 vol. 22: 13-26.

<sup>xxxiv</sup> Presentation by pro-Kremlin political analyst Vladimir Markov, European University Institute, Florence, 23 April, 2004. The term 'St Petersburg lawyers' may be taken as a reference to Dmitri Kozak, among others.

<sup>xxxv</sup> A.Campbell 'Local Government Policymaking and Management in Russia: the case of St Petersburg (Leningrad)' *Policy Studies Journal* 21.1. 1993 133-142  
Re-emergence of strong executive rule, A.Campbell 'Democracy versus efficiency? The Conflict between Representative and Executive Rule in Russian Local Government 1991-2' *Administrative Studies* 4 1991, pp 210-218 and A. Campbell 'The Restructuring of Local Government in Russia' *Public Money and Management* October-December 1992 pp19-25.

<sup>xxxvi</sup> See V.Gel'man 'Federal Policies towards Local Government in Russia' in A.B.Evans Jr. and Vladimir Gel'man (eds) *The Politics of Local Government in Russia*, Rowman and Littlefield, Lanham, 2004. 85-103. Gel'man distinguishes between managerial pragmatists (with a state-oriented view of local government) and self-governmentalists (*samoupravlentsy*) who see local autonomy as a social (political) rather than state institution.

<sup>xxxvii</sup> Comment by Sergei Samoilov, presidential administration, working group meeting on Novosibirsk regional laws, 5.2.05. The Russian phrase meaning 'to live by unwritten rules' – *zhit' po ponyatiyam*, has negative, underworld connotations.

<sup>xxxviii</sup> See Tomila Lankina, *Governing the Locals*, Lanham, Rowman and Littlefield, 2004.

<sup>xxxix</sup> Comment by senior federal official at working group meeting, Moscow, December, 2001.

<sup>xl</sup> See D.Slider 'Governors versus Mayors: the regional dimension of Russian Local Government, in A.B.Evans Jr. and Vladimir Gelman (eds) *The Politics of Local Government in Russia*, Rowman and Littlefield, Lanham, 2004, 145-168.

<sup>xli</sup> G. Easter 'Re-defining Centre-Regional Relations in the Russian Federation: Sverdlovsk Oblast', *Europe-Asia Studies* 49:4, 1999. 617-35.

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- xlii V. Gel'man 'The politics of Local Government in Russia: the neglected side of the story' Perspectives on European Politics and Society, 3:3, 2002, 495-508 p.502. Also, K. Matsuzato, 2004, cited in A. Campbell, 'State versus Society: Local Government and the Reconstruction of the Russian State', Local Government Studies, November, 2006.
- xliii Interview with federal official, Ministry of Economy 15.05.05.
- xliv Petrov, N. 'The Rebirth of Russian Democracy: an Interpretation of Political Culture' Cambridge, Mass. Harvard University Press, 1995. P. 153.
- xlv R.Sakwa 'Russian Politics and Society' (3<sup>rd</sup> Edition) , 2003. 250-1
- xlvi V.Gel'man 'Federal Policies towards Local Government in Russia' in A.B.Evans Jr. and Vladimir Gelman (eds) The Politics of Local Government in Russia, Rowman and Littlefield, Lanham, 2004. 85-103
- xlvii K.Simonov 'Dilemma Gossovieta. Komissiya Kozaka obmenivayetsya mneniyami s gubernatorami'. Vek, 32, cited in R.H. Abdulatipov, Federalogiya, Moscow, Piter, pp. 257-8
- xlviiii Cited in J.Kahn 'Federalism, Democratisation and the Rile of Law in Russia, Oxford University Press, 2002. p267.
- xlix R.Sakwa 'Putin: Russia's Choice' London, Routledge, 2004. p.149
- <sup>1</sup> K. Matsuzato, preface to Kimitaka Matsuzato (ed.) 'Fenomen Vladimira Putina I Rossiskiy Regiony', Moscow, Materik, 2004 , 6-13.
- li G. Satarov '*Demokratura*', Novaya Gazeta, Moscow, 2004. Vertikal . – 47-69. The illusion of control - p.62,
- lii M.Sheehan, 'The Balance of Power: History and Theory', London, Routledge, 1996.
- liii .V.Babichev (secretary of the Congress of Municipal Formations) 'Mestnoye samoupravleniye v postsovietskoy Rossii: nekotoryye itogi i prognozi' in A.V.Ivanchenko (ed.) Konstitutsionniye i zakonodatel'niye osnovy mestnogo samoupravleniya v Rossiskoy Federatsii', Moscow, Yurisprudentsia, 2004, pp 175-220.
- liv Interview with federal official, Ministry of Economy 14.05.05.
- lv O.A.Salov 'Soviety: forma samoupravleniya I osnova politicheskoy sistemy sotsializma', Moscow, Ekonomika, 2004. Note that Salov, an advocate of returning to the soviet model of local government, regards law 131 as using local government to undermine the position of the regional heads.
- lvi Interview with former expert of State Duma, 13.05.04.
- lvii Politruk: Russian Political Plots "“Not one step back!” – all sides position themselves for campaign battles' Issue No. 45 11 December, 2002  
<http://elist.com/archive/media.politics/200212/11102805.html>
- lviii Dmitri Kozak, closing speech to conference of Joint Working Group of the Federal Commission on the Division of Powers between levels of government in the Russian Federation, tauride Palace, St Petersburg, 22.04.02.
- lix Interview with member of working group on local government, 26.06.02.
- lx Urban Institute, 'Analytical report on the Inter-Municipal Movement in Russia', Moscow, 2004.

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<sup>lxi</sup> This may change following Dmitri Kozak's appointment as Minister of Regional Development in September, 2007.

<sup>lxii</sup> Conversation with Arkadi Chernetsky, Mayor of Ekaterinburg, November, 2001.

<sup>lxiii</sup> Conversation with Dmitri Kozak, 17.07.02.



## Softness and Hardness of the Institutions in Russian Local Self-Government

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*Not solely are separate executive officers required for purely local duties (an amount of separation which exists under all governments), but the popular control over those officers can only be advantageously exerted through a separate organ. Their original appointment, the function of watching and checking them, the duty of providing or the discretion of withholding the supplies necessary for their operations, should rest, not with the national Parliament or the national executive, but with the people of the locality....It is necessary, then., that, in addition to the national representation,, there should be municipal and provisional representations; and the two questions which remain to be resolved are, how the local representative bodies should be constituted, and what should be extent of their functions.*

John Stuart Mill, *Considerations on Representative Government*, 1890 (original, London Parker, Son, and Bourn, West Strand, MDCCCLXI, 1861.), pp.287-288.

Local self-governance may be regarded as being at the crossroads of democratization and civil society. Historically Russia has no decentralization and autonomy, because of its extensive territory and ethnic diversity. Moreover, in the Soviet period, it had closed cities and an extremely concentrated system of power. Therefore, local self-governance may be regarded as an indicator of democratization and the maturity of civil society in Russia's transformation.

Local government and local governance may be differentiated from each other. The term government refers to the formal procedures and institutions, and local government imposes a uniform system of local administration. On the other hand, the term governance is a flexible pattern based on loose networks of individuals (John, 2001)

Local self-governance is based on a dual principle: local government as a part of the state administration structure, and local autonomy as a democratic organization from below. This dual principle suggests that local budget may be managed not only by centralization (direct control) but also decentralization (micro intervention). Based on the principle, the pattern of local self-governance is classified into two types (John, 2001): The first is Anglo-Saxon or the northern type (Britain and northern European states), based on the tradition of autonomous organizations. The local government has relative strong institutional independence, and is given the responsibility for administering welfare services. There is a clear institutional distinction between the central and the local. The second type is the continental or the southern type (France and Italy), where the degree of centralization is stronger, and the authorities' delimitation is obscure. Central government field services take the responsibility. Each country has its own peculiarities. Germany and Switzerland are hybrid systems containing states or cantons which have both sets of traditions and structures (John,

2001, p.36). Even though there is no uniform pattern, an overall transition from local government to local governance is now discussed (John, 2001). Local self-governance systems are this profoundly affected by historical tradition, embedded institutions and state building. With its tradition of a strong centre and a dependent local level, Russia may be classified as being closest to the southern type.

Sixteen years have passed since the collapse of the Soviet Union. There continues to be a controversy on the type of market economy in Russia: normal or abnormal<sup>i</sup>. To this may be added a more recent but no less profound controversy on the type of democracy and local self-governance obtaining in Russia. During the period of the Putin regime, the ruling 'vertical' has been reactivated and regional and local governments seem to have lost their capacity for independent (or voluntary) behavior. The following measures were undertaken during Putin's first term: the removal of the governors<sup>ii</sup> from the upper house of parliament; the creation of the seven Federal Districts and the system of Presidential Representative and Inspectors to oversee the regions; the campaign to conform regional laws with federal law; the revision of the Tax Code; and others (Goode, 2007, p.373). The president's appointment of governors with permission of the regional assemblies was approved in December 2004 and ensured regional compliance with the federal centre to strengthen Russian statehood. This policy of centralization has provoked some criticism<sup>iii</sup>, and is seen by some as reviving the Soviet legacy and the Soviet system of administration. This recent history also has implications for the system of local self-governance.

Therefore, local self-governance may be regarded as the key research topic for understanding the Russian economic system. Needless to say, this topic necessitates cross-disciplinary approaches. While Adrian Campbell examines the contemporary changes of local self-governance in Russia from the political science and the regional studies, his conclusion on the perspective of the change from *gemeinschaft* to *gesellschaft* contributes to economic analysis also.

This paper comments that by Campbell (2007), which presents recent on local self-governance in Russia. In this paper will trace the evolutionary process of local self-governance in Russia and examine the impact of Law 131, which provides the focus for the Campbell paper, derived from his own fieldwork in Russia, notably his participant observation of the work of the Kozak Commission as well providing contextual information on the current local self-government reform. His comments on the opinions on local self-governance within the Commission clarify not only complicated mixture of interests among the policy makers concerned, but also specificity of the institutional changes in Russia. The paper will thus contribute to our understanding of the 2007 State *Duma* election and the 2008 presidential election.

### **Scheme of the administrative division and local self-government**

In order to understand the background Campbell's paper we need first of all to review the overall pattern of evolution of local self-government in Russia.

In the Soviet period, the unified Soviet system integrated the whole country, and cities and regions had no autonomy as self-governing bodies. The local soviet was organized as an executive board, and the Communist party infiltrated into the

sub-regional level. The collapse of the Soviet Union drastically changed the administration and local self-government. Based on Turovskii (2006), Sakwa (2002), Orttung (2004) and Jounda (2004), we take a general view of evolution in local self-government and characterize 4 periods after 1990 (Table 1).

The first period is 1991-1993, when amendments to the old constitution introduced the concept of the local self-government. In July, 1991, the Law on Local-Self Government in the RSFSR determined the local self-government to be an autonomous entity and established the popular election of a head of administration for a five year term. However, vertical subordination remained within regions, and heads of administration were thus appointed by the regional administration than elected. In this period, the local self-government could not be separated from the state authority, and till 1993 the local soviets retained the executive committee (*ispolkom*), except in major cities (notably Moscow and St Petersburg where the introduction of elected executive mayors created a formal separation of council from the executive).

**Table1. Law on Local Self-Government**

April 1990	Law on the general principles of local self-government and local enterprise in the USSR
July 1991	Law on local self-government in the RSFSR
December 1993	Adoption of the New Constitution of Russian Federation
August 1995	Law on the general principles of local self-government organization in the Russian Federation
September 1997	Law on the financial bases of local self-government in the Russian Federation
October 1999	Decree of the President of Russian Federation on general statements of local self-government policy in Russia Federation
6 October 2003	New Law on the general principles of local self-government organization in the Russian Federation

The second period is 1993-1996, and based on the Constitution 1993, the local soviets were abolished, and the autonomy developed. According to Article 131.1<sup>iv</sup>,

Local self-government in urban and rural settlements and other territories is exercised with due consideration for historical and other local traditions. The structure of local self-government bodies is autonomously determined by the population.

The new scheme was adopted in August 1995: Law on the general principles of local self-government organization in the Russian Federation. At the same time, the Federal centre took steps support the institutional strengthening of local self-government. In 1995, the Federal Programme of Government Support to the Local Self-governance operated, and the Congress of the local self-government reform was established

(Velikaya, 2003, p.126). The Law determined the framework of local self-government, along with the Law on the financial bases of local self-government in the Russian Federation. After that, the executive boards of local self-government were organized, and the popular election was carried out<sup>v</sup>. However, elections were delayed, and in many regions election of the local head was carried out together with the governor's election. In others there was no election, only appointment by the region. In practice most of the local self-government system was inherited from the Soviet system, and its status was not sufficiently clarified by the law.

The third period is 1996-2003, during which period the Law of 1995 was in force and each region determined its own model of local self-government. At the same time, there were wide regional variations and gaps in implementation of the law can be observed, and the all-federal standard was not able to sufficiently function in this period. In principle, the head of local self-government was elected by the popular election, or by the deputies of government, or by the contract (employment). Concerning the model, the following points may be raised: 1) the liberal model where the head was elected by the popular, 2) settlement model which means that municipalities are not the administrative units but the resident units (Kursk, Novosibirsk, Tumen), 3) restricted election model which means that the head is elected by deputies of local self-government or appointed by the contract (Bryansk, Orel, Saratov and others), 4) 'republic' model which preserves the vertical power relation (the head is appointed by the president of the region, Bashkortostan, Tatarstan and others).

In the third period, the number of local self-governments with the liberal model decreased and most of them were not free from the control from the above. The two-tier system of local self-government was refused, and the status of individual local self-government was restricted and ambiguous. The most powerful stakeholder for local self-government was the regional government and the governor. The governors restricted the popular direct election, and they tried to shut local self-government in the regional legislation<sup>vi</sup>.

The period described above was confusing as there were both radical changes and conservative changes. On the one hand, Russia appeared as a western-oriented democracy. Through the three periods after the transformation, "Russia was applying for membership in the Council of Europe (COE), where the institution of local self-government is one of the standards for admission"<sup>vii</sup>. Russia joined the COE, and following the recommendation on the state of local self-government and federalism (COE, 2007), Russia ratified the European Charter of Local Self-Government<sup>viii</sup> in 1998. The EU Commission, launched in 1997/1998, intended to enhance the development of local self-government in Russia. Not only policies for federal-regional relations but also municipal management were provided (Ruutu, Johansson, 1998, pp.6-7). Therefore, Russia policy was aimed at the western (Anglo-Saxon) model of local-government officially and legally, with a concomitant emphasis on local autonomy.

On the other hand, the system's actual evolution was unclear. The federal centre and the regions did not relinquish their control of local bodies. "Governors and presidents reduced local government to no more than top-down executive management."<sup>ix</sup> Under the environment of segmented regionalism and asymmetrical federalism, regional

leaders excessively expanded their own regions<sup>x</sup>. The conflicts between the federal centre and the regions became overt. These conflicts have served to amplify the control over local self-government from the regional level. Conflict between regional governors and mayors of the big cities became endemic in 1997-1999, because big cities had enough resources to compete with governors (the paper by Campbell and Denezhkina recounts and analysis the longest running city-regional conflict, that of Ekaterinburg and Sverdlovsk region). The conflict, however, was not so simple. All the local self-governments did not cooperate with big cities in competing with governors and some periphery municipalities were against them (Turovskii, 2006). In addition, the federal centre tried to support local self-government based on a common interest in containing regional power existed between federal and municipal authorities (Campbell, 2007). Therefore, local self-government stood within a vertical hierarchy. As far as the pressure from the above has been strong, Russian local self-governance may be characterized as a continental type<sup>xi</sup>.

The fourth period is after 2003, Law 131, which has brought about the drastic reforms in local self-government. The Putin government reforms may be seen as moving not only regions but also local self-government in the direction of the ruling vertical.

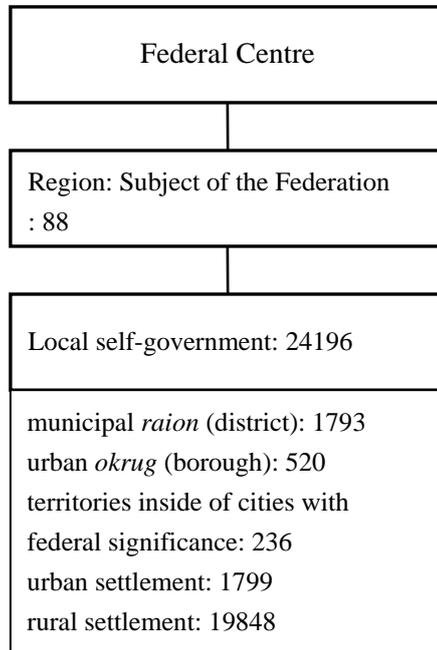
### **Local self-government under Law 131**

As Figure 1 shows, the Russian system of government consists of three administrative levels: the federal centre, subjects of the federation (region) and local self-government, and all the administrations have their own budgets. While the regional governments can be classified as a part of vertical authority (as a level of state administration), local self-government has dual roles: an autonomous entity and a state organization.

Law 131 determines the two-tier structure of local self-government<sup>xii</sup> (Figure 2). The fundamental unit of municipalities is settlement (urban and rural), in which residents directly participate. It may include separate small communities. The settlement is determined on the basis of population density and accessibility. A rural settlement may include either one community with above 1000 inhabitants or several with less than 1000 inhabitants. For the area with high population density<sup>xiii</sup>, 3000 inhabitants becomes the criterion. The transfer of authority to the settlement will be carried out gradually by 2009 (in the transition period) based on regional decision.

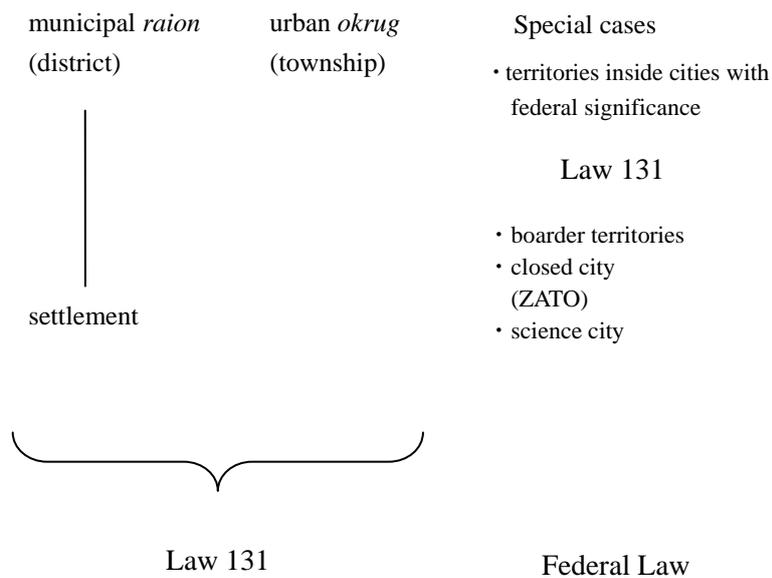
The settlement has following powers: local financial-economic policy (budget), infrastructural policy (electricity, heating, gas, transportation and others), social, housing and cultural policy, land use planning and territorial maintenance, local security, guardianship, organization of funeral ceremonies and graveyards and others. The larger unit, municipal *raion* (district) includes some fundamental units, and it has some similar powers with the settlement. The administrative centre of the district is required to be located within one day trip to all settlements in principle. It is said that there is not a severe demarcation between settlement and municipal district. Concerning the authorities, joint activities may be permitted. The municipal police, inter-budget relation, some aspects of education and health are specialized in the municipal district. Some aspects of leisure and sports and fire security are specified for the settlement. The urban *okrug* (borough), former city belonging to the region, has dual functions of settlement and municipal district.

**Figure1. Administrative division in Russia** (April 2006)



Source: Regiony Rossii, 2006

**Figure2. Two level model of local self-government**



In addition, the following local categories are dealt as specific status: cities with federal significance which are subjects of the federation (Moscow and St. Petersburg), border territories, closed cities (ZATO: closed administrative-territorial formation), and science cities. The last three are determined by the federal law<sup>xiv</sup>, and territories inside cities with federal significance are determined by Law 131 (Turovskii, 2006).

Law 131 determines the new municipalities, and demarcation of powers between the administrations and their transfer become the main problem of local self-government. The Kozak commission recognized the lack of a clear assignment of expenditure responsibilities at the regional and local levels, and tried to establish a clear delineation among all the levels of government (Martinez-Vazquez, Timofeev, and Boex, 2006, p.69). All directly relate to reorganization of the budget system and the financial guarantee after the 1<sup>st</sup> January 2006<sup>xv</sup>. Stressing the above process, as Campbell points out, a ‘triangular’ view of the systems is indispensable.

Legislation is different from enforcement of the law. According to Law 129 (12 October 2005), regions provide the newly established local self-government (settlement). Based on the research data of the Ministry of Finance, in 14 regions of 85, settlement municipalities did not become independent bodies, and could not make their own local budgets. In 7 regions, local budgets were formed without splitting into each type of municipalities. In 2 regions, settlements and municipal districts had integrated addition. Therefore in 62 regions of 85, budget authorities were demarcated by Law 131 between municipalities, in 26 regions of 62, however, there were few funds for transferred authorities. As a result, in 36 regions, the reforms have begun, 49 regions did not prepare the reform.

Demarcation was followed by changes in local finance. In 2006, revenue of local self-government increased by 26 %. While tax revenue decreased by 23 %, non-tax revenue and subsidies, subvention and others increased. As Table 2 shows, the share of subsidies, subventions and local allocation tax radically increased, and among them subvention (*subventsiya*<sup>xvi</sup>) occupied more than half of the total grants and subsidies.

Subvention is unclear due to lack of standardized calculation method and minimum social standard and opaque accounting systems. However, the number of powers with local significance transferred to municipalities has rapidly increased, due to the federal law<sup>xvii</sup>. For example, in Krasnoyarsk *krai* and Murmansk *oblast* 23 powers were transferred, and in Stavropol *krai* 17 powers were transferred. Not only the federal centre but also regions transferred tasks, which brought about unfunded mandates. Municipalities could not provide the budget service at the required level. The share of settlements revenue in local budget is only 6.4 %, of which 49.5% is for township, and 44.1 % is for municipal district<sup>xviii</sup>.

**Table 2. Comparison of local self-government budget (%)**

	1 <sup>st</sup> quarter of 2005	1 <sup>st</sup> quarter of 2006
Tax and non tax revenue	53	36.3
Subsidies, subvention and local allocation tax	45.2	63.7

Source: Eremeeva, Kazyukova, Kalantarova, 2006, p.38.

Moreover, tax revenue is very weak in municipalities. Tax revenue from the land has drastically decreased in 2006 due to lack of organizations collecting taxes, and regions have kept tax revenue paying insufficient subvention. At the very least, the reforms do not change all the schemes of authorities and finance of local self-government, and local governments have increased partial responsibilities without sufficient funds. Local society and residents are obliged to adapt the new environment. The Kozak proposal in this respect turned out to be vague, provoking dissatisfaction.

### **Impact and influence of Law 131**

Law 131 and the Kozak Commission<sup>xix</sup> have strongly influenced the laws and acts of all levels, the mutual relation among centre-regions-municipalities, and organization of the local governments (three types). At the same time, “there is a strong opposition to these reforms from regional officials and public sector employees<sup>xx</sup>”. Law and Commission have accepted many revisions and supplements in the process of enforcing Law<sup>xxi</sup>. Law 131 has shown so many problems in the enforcement process<sup>xxii</sup>.

In order to develop the reforms of local self-governance, in 2005, the Ministry of Regional Development was established, which actively enforced Law 131. Moreover, Committee of State *Duma* on problems of local self-governance and other organizations held the meeting for revision of Law 131. The monitoring of the reforms was carried out by many institutes, and the coordinating committee was created in September 2005. While in 2005, preparation of necessary drafts of normative legal acts was behind schedule, in 2004-2005, 14 federal laws were adopted for revision of Law 131, and the new law was enforced. The process did not go smoothly. The subjects of the federation (regions) have kept their influence over the local self governments and the election, and the transition period to the beginning of 2009 for the reforms was determined.

The regions have been a driving force in implementing the reforms. First of all, they established the new municipalities<sup>xxiii</sup>, and determined the procedure of formation of legislative organs there, date of the election, and the term. As the local self-governments were formed in 12215 municipalities in 2000, the number of municipalities in 2006 has doubled by Law 131 (Figure 1). The first region carrying out the elections in the total 128 municipalities in February 2005 was the Republic of Kalmuikiya<sup>xxiv</sup>. At the same time, all the municipalities have adopted the new regulations.

The most decisive problems lay in the reorganization of municipalities. In spite of the needs of the local consensus (referendum), some regions simplified the process with the support from the deputies. Especially, concerning the status of municipalities, more than 80 % of the former municipalities lost their competence<sup>xxv</sup>. There were some cases that *oblast* legislative assembly did not agree with the residents' demands, and the latter were not always upheld by judicial decisions.

The demarcation of local self-government powers has brought about conflicts over diminished functions. In particular powers in the social sphere were concentrated in the hand of municipal districts, which deteriorated service provision. Many regions

restricted the new municipalities' authorities on the problems of local significance<sup>xxvi</sup> and they stimulated settlements to transfer their authority to municipal districts which were directly given subvention from *oblast* budget. Although the region could determine the regional standard of medical service which exceeded the national standard, the rule did not function due to Law 131 (Article 18). The demarcation of property has also been the subject of conflicts between settlements and municipal districts. Moreover, the provision of powers to the municipalities was not legally or formally determined by the region. Redistribution of ownership among municipalities has often caused interests conflicts among concerned. In order to register the property, municipalities need to pay the state duty.

Concerning the management of the local self government, Law 131 permits election of the head in municipalities from deputies and employment of manager in executive organs<sup>xxvii</sup>. Moreover, in 2005 Law 93 determined candidates of the local self-government from the political parties, and United Russia (*Edinaya Rossiya*) has become a very active player in all the regions<sup>xxviii</sup>.

The political trend may show the strong state vertical control, the intervention of the region, and conflicts among the new municipalities, especially in the two tier municipalities and redistribution of authorities. In short, regions have kept control, and so many municipalities have lacked not only formal qualifications to deal with the local governments but also resources to execute their authorities.

### **Strong state or weak state**

The vertical line cannot be restricted in the field of local self-government. The year 2003 can be regarded as a turning point of the economic development in Russia. Now Russia may be said to be a model of State Capitalism. From 2003 the government has drastically changed its course to the state capitalism way. In the economic field, the *Yukos* affair may well regarded as a turning point and after that the government adopted the specific measures for intervention (*Yukos* model or *Shibneft* model)<sup>xxix</sup>. At the same time, the external economic policy has also dual meaning. On the one hand, the government has shown the positive attitude toward globalization and Europeanization: G8, the WTO entry negotiation; liberalization of capital account; intention to join the OECD in 2006. On the other hand, Russia has opposed to the west: energy price policy to the EU; energy blackmail to concerned countries (near abroad and distant abroad)<sup>xxx</sup>.

As background factors of policy change, the following can be raised: state capitalism concept, global competition and state security, rent-seeking by government, formation of new (official) oligarchs.

The Putin government has strengthened the intervention policies as follows: selection of global strategic enterprises and industry, industrial policy, restrictions to the foreign capital in the strategic sectors, the role of the government. The government decided priority projects in infrastructure like health, education, housing, agriculture, and Investment Fund with joint public-private partnerships was established in the federal budget. Moreover, the government started the creation of special economic zones to foster economic diversification and innovation<sup>xxxi</sup>. As all the measures of intervention

are called institutions of development (growth), the contemporary stage of transformation can be called as a reorganization of formal institutions.

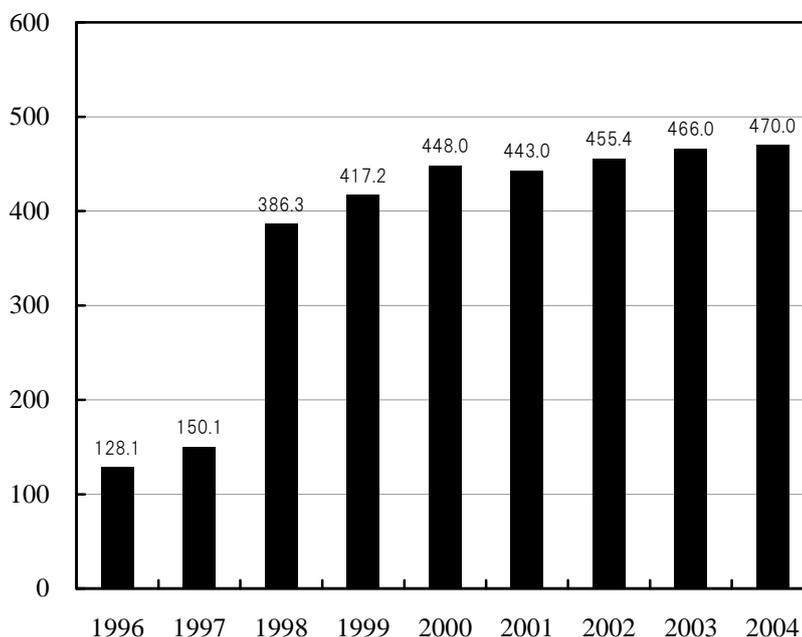
Then, how can we judge the strength of the state? Generally speaking, the Putin regime may be regarded as a 'strong hand'. Due to the despotic measures with the enthusiastic popular support, the vertical ruling in administration and the intervention policy in the economic sphere have strengthened the Russian statehood. As the constitutional regime in Yeltsin era was weakened by the reforms, the Putin style seems to contribute to regaining the constitutional regime.

However, we cannot measure the strength of the state by the absolutist style and despotic behavior of Putin. When the bureaucracy is fragile and there is no trust from the inhabitants, the laws cannot be protected strictly enough. Corruption may be raised as an indicator of the untrustworthy state. According to Transparency International, Russia cannot escape its miserable position in Corruption Perception Index Ranking<sup>xxxii</sup>: 126<sup>th</sup> of 159 countries in 2005 and 121<sup>st</sup> of 163 countries in 2006. The position of Russia is similar with developing countries like Rwanda and Nepal. Therefore OECD (2006) emphasized the necessity to improve the quality of public administration and characterized Russia as "a weak state but strong officials" or as "a weak state with strong components" (p.118). From the bureaucracy and competence of bureaucrats, Russia is a weak state.

What brought about a weak state and untrustworthy bureaucracy? OECD (2006) insists that "the state bureaucracy today is a product of Soviet and post Soviet state-building" (p.117). The administrative system is inherited from the Soviet administration. As "Soviet administration rejects both the separation of political and administrative spheres and the autonomy of administrative bureaucracy...the rule oriented Weberian model was rejected (p.117)". The contemporary Russian bureaucracy follows the Soviet way far more than any Weberian model. At the same time, the Russian bureaucracy inherited a highly personalized administration system. All the inheritance has been preserved in the Yeltsin state-building, and all the economic actors are forced to adapt preserved inheritance and institutional legacies.

The case of local self-government also clarifies the contemporary Russian bureaucracy. Undoubtedly, the local self-government reforms in the mid 1990s enlarged local self-government employees. Figure 3 indicates a considerable increase in 1997/1998. The severe economic condition stimulates the governments (not only local but also federal and regional) to employ officials and civil servants for stabilization. Therefore, an increase of employees does not directly show the development of safety-nets. In addition, Figure 3 tells us an aspect of effects in Law 131. Even though Law 131 has enlarged authorities and obligation of local self-government, in the mid-2000s, the number of civil servants is unchangeable. Contrary, there are some organs of local self-governance whose workers are decreasing<sup>xxxiii</sup>.

**Figure 3. Number of Workers in local self-government  
(end of the year, 1,000)**



Source: Rossiiskii statisticheskii ezhegodnik, 2004 p.44, 2006 p.44.

There exists quite a contrary situation. In the Soviet period, the regional leaders were supplied from the local committee (*obkom*) of communist party, and they organized clan network<sup>xxxiv</sup> based on patron-client relationship. In the transformation period, the regional leaders were inherited from the network of the Soviet period. In practice, the local Soviets (*Ispolkom*) kept their organizations in the first stage of the local self-government reforms. Moreover, the strong regional leaders came from the former Soviet administration and they behaved in the similar way to the Soviet regime<sup>xxxv</sup>. Regional elites could survive in the Yeltsin period through the leadership of executive (*ispolkom*) of various regional levels and directors of industrial and agricultural enterprises, and the democratic measures of the regional government and local self-government restricted the recruitment of the regional elites from the non-elite classes<sup>xxxvi</sup>. As a result, the governor could easily become ‘a ruler of the region’ and the mayor could become ‘a ruler of the city’. This scheme, however, has dual meaning: fragility of institutions and stabilization (harmonization of interests) in the economy and the local society<sup>xxxvii</sup>.

### **What is an institution in Russia?**

New institutional economics examines the nature of institutions and regards them as important for reduction of uncertainty. According to Douglas North,

“Institutions are the rules of the game in a society or, more formally, are the

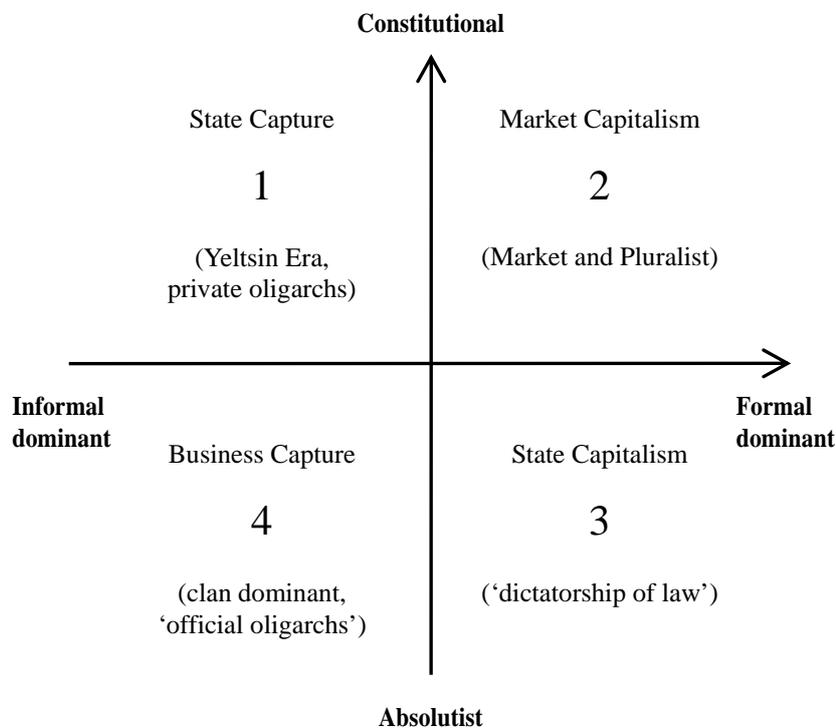
humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change<sup>xxxviii</sup>.

Institution with a broad meaning includes following points<sup>xxxix</sup>:

- (a) formal rules: political rules, economic rules and contracts (their enforcement are based on the law and the state agencies and others);
- (b) informal rules: patterns of behavior that are collectively shared (from routines to social conventions to ethical codes);
- (c) negative norms and constraints.

From the viewpoint of institution, I will present a transformation framework for comparison with that of Campbell (2007) in Figure 4. I characterize the transformation process not only from the political legitimacy but also from the perspective of institutional arrangements. Russia would evolve from quadrant 1 (State Capture, Constitutional Patrimonialism in the paper of Campbell, 2007) to Business Capture model (quadrant 4) in 1990s, and under the Putin regime, Russia would move to State Capitalism (quadrant 3). In short, formalization of institutions can be regarded as the trajectory of Russia through the hand of the bureaucracy.

**Figure4. Framework of Transition in Russia**

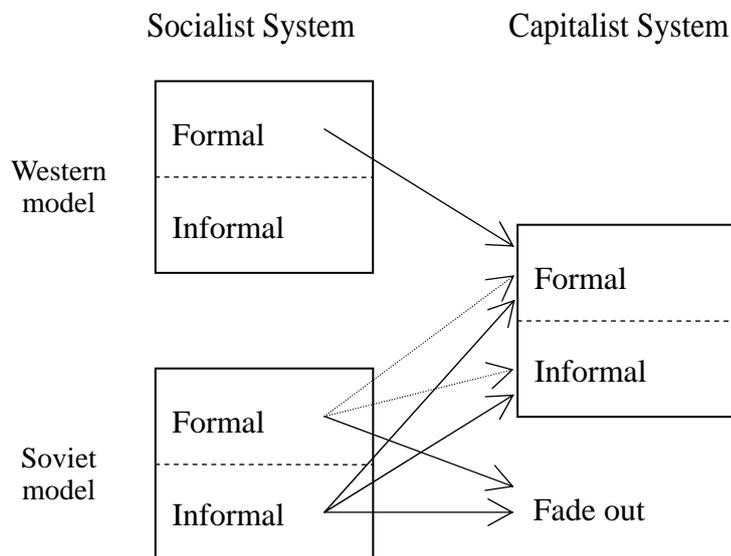


Source: The author, and Campbell, 2007.

However, the change of the trajectory is not so easy for Russia, judging from the local self-government reforms. First of all, it is difficult to cut the interests network within the local actors and the regional actors operate because they are considerably accustomed to the traditional personal relations. Irrespective of ideology, the clan network has been institutionalized. Due to lack of expertise and competence of local body members and the civil servants, local self-government cannot become a reliable body for the inhabitants. At the same time, the regional and the federal body are reluctant to leave their authorities and own funds. Thus, dependence on subsidies in the local society cannot be removed in the short run even after the legislative reform. Secondly, when the social minimum is stressed in the federal level, the voice in favour of decentralization is declining. Thirdly, the influence of clan and lobbying cannot be ignored, even though Law 131 strengthens the autonomy. When the enterprise has a dominant position in the local market (corporate regions), all the inhabitants behave in the conservative way. The company itself internalizes the authority of local self-government like housing and provision of welfare goods as corporate social responsibility.

Besides, even though we admit formalization, how to change from quadrant 3 to quadrant 2 will become the next question. Can the local self-government reform by Law 131 normalize the state? As far as formal rules between two quadrants (2 and 3) are widely different each other, quadrant 2 cannot become a simple perspective of Russia

**Figure 5. Institutional Change of Transformation**



The above process can be understood regarding institutional change (Figure 5). The new institutions cannot be understood as completely imported or transplanted. They consist of the formal rules of the western countries and institutions of the former system (formal and informal). Institutions have softness and hardness in the selection.

At the same time, the new institutions cannot stabilize only on the base of formal aspect, and rearrangement of informal rules is indispensable. Enforcement of the law may be guaranteed by values and behavior. Therefore, institutional change is obliged to be incremental. Moreover, institutional rearrangement is path-dependent.

Evolution of local self-government and legislation suggests that the former formal institutions and the informal institutions have hardness to survive in the new environment and softness to adapt it. In spite of drastic changes in formal rules, new institutions involve traditions, networks and regional elites embedded in the local society (e.g. *ispolkom* and clan). Particularly, Russia has traditions in the vertical ruling. “Putin utilized a short-cut in reviving Soviet legacies of rule that either lay dormant in the formative experiences of Russian politicians or which survived the Yel’tsin regime and continued to infuse relations among leadership and subordinates<sup>xi</sup>”.

Above all, informal constraints can survive strongly and deeply.

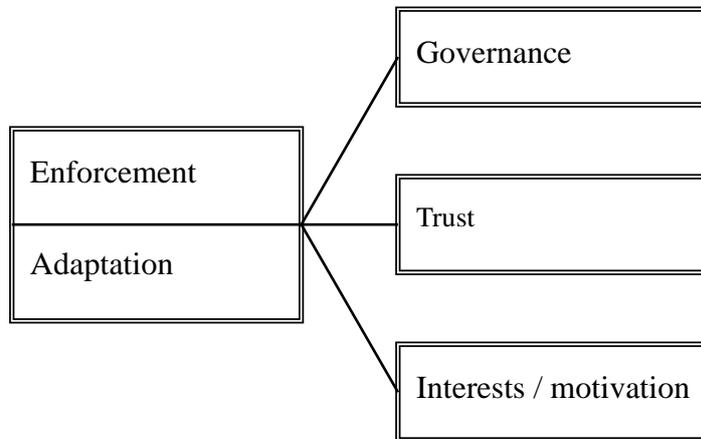
“Although a wholesale change in the formal rules may take place, at the same time there will be many informal constraints that have great survival tenacity because they still resolve basic exchange problems among the participants, be they social, political, or economic.<sup>xli</sup>”

Then, why is enforcement of formal rules weak and why is the institutional adaptation strong in the Russian local self-government reforms? To ensure enforcement, good governance, trust and motivation mechanism are indispensable (Figure 6). Particularly, enforcement is uncertain where there is asymmetry of information. Enforcement needs time and costs.

“Creating a system of effective enforcement and of moral constraint on behavior is a long, slow process that requires time to develop if it is to evolve.<sup>xlii</sup>”

In Russia, because of the ambiguity of the Constitution and legal doctrine, and because of uncertainty with respect to behavior of the actors, the rulers can still easily behave as they please, and they do not follow self-enforcing constraints. Local inhabitants also attach importance to certain informal norms, deteriorating further the enforcement of formal rules.

**Figure6. Adaptation and Enforcement of Institutions**



However, adaptation of institutions can be observed in Russia. Law 131 indicates the new rules by which existing institutions are obliged to adapt (governance of the federal centre and the region), and complicated interests conflicts among the sub-local authorities (municipalities). In other words, the decisive role in revising Law 131 is not ideology but natural adaptation and mentality.

The local society also has similar impact to institutionalization. After the transformation, “local privileges were granted in return for loyalty. The development of civil society was inhibited since these were privileges not to individuals but to corporate groups<sup>xliii</sup>”. The corporate groups also use the social benefit (fringe benefit) to bargain with the region and local self-government for stability and rent-seeking.

Such behavior is strong in the rich territories. In those areas, the dominant enterprise captures the regional government and local self-government. For example, *Severstal* in Vologod *oblast*, *Yukos* in Evenki, *Norilsk Nikel* in Taimuir and Krasnoyarsk *krai*, *Rusal* in Khakashiya and others. In addition, enterprises in company towns have also preserved control over the local society.

The above element is also derived from historical experience. There were two types of community inherited from the soviet system: local communities and enterprise communities. The new rule and market system cannot create the new community. Therefore, Law 131 is not free from these pre-existing communities.

Of course, I have no intention to criticize Russian civil society as fragile. In Japan too, local self-government has evolved according to its own historical path. We can observe not only formal institutions (continental type) but also informal institutions (e.g. neighborhood associations and lobbying groups in the rural area), which characterizes the Japanese local self-governance system. Thus, Russia gives us the new possibility to compare peculiarities that deviate from the orthodox western model of local self-governance.

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## Notes

- <sup>i</sup> See Shleifer, Treisman (2004), Roseliends (2006), and Hanson, Teague (2005).
- <sup>ii</sup> The governors mean the heads of 88 regional executive branches.
- <sup>iii</sup> For example, comment by the Council of Europe, <https://wcd.coe.int> (30 August 2007).
- <sup>iv</sup> Sakwa, 2002, p.250.
- <sup>v</sup> The first election was held in Vladivostok in 29 July 1993, and the election spread out from there.
- <sup>vi</sup> There are various methods of local self-government formation. In Smolensk *oblast*, not only the popular election but also appointment by the contract was utilized.
- <sup>vii</sup> Tishkov, 2007. The COE comprises 47 countries (and 1 applicant country: Belarus) in 2007, and it was set up to promote democracy and protect human rights and the rule of law in Europe in 1949. Russia sent the representatives of local self-governments to Congress of Local and Regional Authorities. See <http://www.coe.int>. (3 September 2007)
- <sup>viii</sup> The Charter was drawn up within the COE in 1985. 42 countries had ratified the Charter by September 2007.
- <sup>ix</sup> Sakwa, 2002, p.231.
- <sup>x</sup> Even the military lost its unity, and the legal space also fragmented. In 1997, nearly half the regional laws did not conform with the constitution or federal legislation. See Sakwa, 2002, pp.231-237.
- <sup>xi</sup> See Matsuzato, 1999.
- <sup>xii</sup> See Turovskii, 2006.
- <sup>xiii</sup> “High” means three times the national average in Russia and “Low” means a third of the average.
- <sup>xiv</sup> Subvention and subsidies are given by the federal programme.
- <sup>xv</sup> See Eremeeva, Kazyukova, Kalantarova, 2006, pp.37-48.
- <sup>xvi</sup> Grant-in-aid earmarked for a specific purpose.
- <sup>xvii</sup> Regions cannot transfer authorities to municipalities without determination of the federal law.
- <sup>xviii</sup> See Eremeeva, Kazyukova, Kalantarova, 2006, pp.46-47.
- <sup>xix</sup> According to Robert Orttung (2004, p.44), the reforms seek to include Russia’s local governments into Russia’s hierarchical state structure even though the constitution formally separates them from the state. And the reforms seek to give the federal government much greater control over the local government.
- <sup>xx</sup> Orttung, 2004, p.44.
- <sup>xxi</sup> Concerning the impacts, see Ragozina, 2006, pp.13-35.
- <sup>xxii</sup> For a problems in 2005, see Ragozina, 2006, pp.13-35.
- <sup>xxiii</sup> For example, in Shelekhov *raion* (district) of Irkutsk *oblast*, the former single district consists of the seven new municipalities: 2 urban settlements, 4 rural settlements, and one municipal district

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(Vetrov and Lantsev, 2006, p.60).

<sup>xxiv</sup> By the beginning of November 2005, 60 thousand deputies of local self governments were elected (Ragosina, 2006, p.18).

<sup>xxv</sup> Angarsk (Irkutsk *oblast*) changed into urban settlement within the Angarsk municipal district, which caused the negative response of residents (Ragosina, 2006, p.18).

<sup>xxvi</sup> Leningrad *oblast* restricted the authority of land disposal in municipalities, and Vladimir *oblast* constrained settlements' authority on ownership, utilization and disposal of local property (Ragosina, 2006, p.22).

<sup>xxvii</sup> 36 regions adopted this model, even though the residents do not agree with it (Ragosina, 2006, p.28).

<sup>xxviii</sup> In Saratov *oblast*, this party accounts for 87 % of the total candidates, and in Tver *oblast*, the share reaches 94 % (Ragosina, 2006, p.29).

<sup>xxix</sup> The government has adopted some measures, based on the market mechanism (market transaction of control, block shares).

<sup>xxx</sup> See Mau, 2007.

<sup>xxxi</sup> The special zones in 1990s failed. The new law abolishes the previous zones, and it has two categories: technical innovation zones from a part of the government's innovation strategy, and industrial production zones eligible for various tax incentives.

<sup>xxxii</sup> See Transparency International Corruption Perceptions Index 2001, 2005, and 2006 (<http://www.transparency.org>, 7 September 2007).

<sup>xxxiii</sup> See Eremeeva, Kazyukova, Kalantarova, 2006, p.46.

<sup>xxxiv</sup> The vertical informal organization with common interests (Kosals, 1995, p.6).

<sup>xxxv</sup> See Turovskii, 2006, pp.646-649.

<sup>xxxvi</sup> Kruishtanovskaya, 2005, pp.141-144.

<sup>xxxvii</sup> In the years of Putin's presidency, the interests of big business, combined with those of the Kremlin, have penetrated into the local society (Goode, 2007, p.386).

<sup>xxxviii</sup> North, 1990, p.3.

<sup>xxxix</sup> Coriat and Dosi, 2002, p.98.

<sup>xl</sup> Goode, 2007, p.388.

<sup>xli</sup> North, 1990, p.91.

<sup>xlii</sup> North, 1990, p.60.

<sup>xliii</sup> Sakwa, 2002, p.242.

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# **Local Budget and Local Self-Government in Russia**

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After the collapse of Soviet Union, Russian local governments have received in the new Constitution a status of local autonomous bodies, which is separate from the state authority and has the right to solve local problems by themselves. However, Law 131 on local self-government, which is adopted in 2003 under the centralization policy of Putin's administration, had the effect of lessening the autonomy of municipalities and drawing them back into the vertical line of state control.

## **Points of the paper by Adrian Campbell**

The paper by Adrian Campbell focused on the discussion behind the adoption of Law 131 and revealed that Kozak Commission, which had prepared a draft of the law, did not necessarily intended to retreat the local self-government in Russia, rather it thought to create power balance between three levels of government: federal, regional and local. The attitude of the Commission, which the author explored through participation to sessions and interviews with commission members are informative for us, and so are the reasons why their idea was not realized. The author showed that Law 131 was a product of compromise between Commission and Federal Council, the representatives of Russian sub-federal interests, and it implies Russian 'state vertical', which seems so robust, holds also the fragility inside. As a result, local self-government was sacrificed for power balance between federal and regional governments.

Campbell used the Robinson's theoretical framework and showed Putin's reform should take the two-stage approach from Constitutional Patrimonialism to Constitutional Bureaucracy through Absolutist Bureaucracy. It is logical to think Russia needs strong centralized state to establish the rules at present. But whether Russia will head for a Western democratic, pluralistic model of state at next stage will be controversial, because difficulty of Russia's transition towards local democracy has historical roots in Soviet experience as Campbell (1996) indicated by himself<sup>i</sup>.

## **Institution building by centralized state**

In this paper, I briefly introduce the impact of Law 131 on local budget reform in Russia. The law is often criticized by those who advocate self-government for the reason that it deprived municipalities their autonomy. Actually, following the adoption of Law 131, there were amendments to Budget Code and Tax Code in 2004<sup>ii</sup>, which brought concrete reform to the local fiscal system corresponding to the Law 131. It can be said that these laws have two-fold effects for the realization of Russian local self-government.

At first, the structure of municipal budget was changed from one-tier system created

under the previous law on Russian local self-government in 1995 to two tiers, and now not only municipal districts (*munitsipalny raion*) and cities (*gorodskoi okrug*), but also rural and urban settlements (*seliskoe i gorodskoe poselenie*) under the jurisdiction of municipal districts, and territories inside the cities of federal significance got their own representative organ and budget. So, the reform did make progress in the sense that it enabled governance at the level closest to its residents.

Also, local budget under old legislation lacked the clearly defined law on its revenue base and expenditure assignment, and its management often depended on the informal arrangement. But the reform clearly divided expenditure responsibility among levels of government, in order to resolve the unfunded federal mandates which resulted from the ambiguous division of expenditure responsibility, and it gave all municipalities rule-based revenue source, including taxes and transfers from upper government. So we can say the reform had positive effect in establishing the fiscal system based on formal rules.

But at the same time, we can see the tendency of centralization of Russian budget system, which can be described as '*ogosudarstvlenie*' (statization)<sup>iii</sup>. It means that as a result of adoption of Law 131, almost a half of local budget must be spent for the expenditure responsibility, which is delegated by federal and regional government, and revenues for that is given from the upper levels of government in a form of subvention (*subventsiya*). Besides, size of local budget was around 10% of GDP in mid-1990 but it shrunk to about 6% after 2000, though regional budget keeps almost the same size, 10% as in 1990s. So, now local governments have smaller budget than before, and contents of budget is more controlled by upper governments, not by local residents.

Thus, we can see the institution building is going on by the centralized state in the field of public finance. Law 131 contributed to a creation of rule-based local budget system, strengthening the vertical control toward local fiscal management.

### **Struggle over tax source between regional and local government**

However, precedent reform program up to 2005<sup>iv</sup>, which was led by Alexei Lavrov of Ministry of Finance, aimed to reduce dependence of local budget on regional government and give local level broader tax source than before. In 1990s, formal tax source of municipal government was very limited and local fiscal management was under the control of regional government. So, it was a reform which respects more the balance of federal, regional and local governments. But actual reform didn't proceed along the program and gave way to the Law 131 later. Why?

To take an example, according to the government program up to 2005, federal government aimed to give municipality property tax as their original tax source, into which corporate property tax, personal property tax and land tax should have been integrated. But after all, this integration didn't realize because regional governments, which possess corporate property tax, the biggest source of these three taxes, resisted delivering this tax to the local level. In the process of Putin's reform of intergovernmental fiscal relations, the federal center tried to take back the control over taxes which it had devolved to some regional governments in the 1990s in order to

recover lost state integrity, so we can assume that the federal government couldn't help making some concession in return to regional governments, keeping their tax revenue up whilst sacrificing a municipal tax source.

### **Change in local budget structure**

How did the structure of local budget change under Law 131? The law has executed since 2006 with transitional period of 2006-2009, so it is still difficult to analyze the change based on budget data (Besides, Russian ministry of finance stopped opening local budget data since 2005). Here, I will comment on changes in local expenditure and revenue structure which have happened under Putin's reform until Law 131, and some perspectives after adoption of the law.

Expenditure by Russian local government since 2000 showed remarkable changes. Local government had initially played an important role in budgeting housing and utility service, education, and health. One of the biggest changes was reduction of expenditure on housing and utility service. Its share in total expenditure was almost 30% in 2000 but diminished to 18.5% in 2004<sup>v</sup>. The reason of this is deeply connected with reform of housing and utility service by federal government. Russian government is trying to reduce subsidies to housing and utility service and raise the price of the service, because the cheap housing and utility service is regarded as a legacy of socialism and too costly. It is important that federal government prohibited local government from spending fiscal transfers from upper level of government on subsidy to housing and utility service. That is why local government lost resource for the subsidy.

Also, expenditure on social policy by local government has increased in the same period from less than 5% to 8%. Expenditure on industry and construction increased sharply from 1% in 2000 to 8% in 2004. The social policy included a number of unfunded federal mandates, and according to the reform program, it was obliged that federal and regional government have to take responsibility to compensate fund to localities to realize these mandates. So, we can say the policy concerning fiscal transfer to local budgets plays an important roll in the structural change of local budget expenditure.

On the revenue side, share of tax revenue in total revenue of local budget have been steady decreasing from 68% in 2000 to 52% in 2004, and according to an estimation, it would decrease to less than 30% under the Law 131<sup>vi</sup>. The biggest tax revenue of local government was personal income tax (PIT) and local government had been keeping more than half of the tax. But regional government extended its right over PIT while its revenue grew, and under the Law 131 municipal budget in total can get only 30% from PIT revenue.

Now rural and urban settlements are given tax revenue from land tax, personal property tax, 10% of PIT and some other, municipal districts are practically left without its original tax base but 20% of PIT, and city district have tax base both of settlements and districts. Russian local governments have lost a lot of tax source which they had in 1990s, and now only a limited tax source was left for them, because land tax and personal property tax are still small in Russia. The change means that

local governments have lost authority and fiscal incentives to intervene to the local economic activity through tax system, as it did in 1990s.

Instead, the share of kinds of transfers from upper budget in total revenue have grown from about 28% in 2000 to over 40% in 2004, and would increase to almost 2/3 of total revenue<sup>vii</sup>. Especially subventions, which are given for the expenditure of national meaning, delegated to local budgets according to the decision of federal and sub-federal governments, should drastically increase. Thus, the management of local budget is now largely under the control of federal and regional government, and its autonomy in fiscal policy has become very limited.

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#### Notes

<sup>i</sup> Adrian Campbell, City Government in Russia, in John Gibson and Philip Hanson (eds.) *Transformation from Below*, Edward Elgar, 1996.

<sup>ii</sup> No.95-FZ, 29 July 2004 «O vnesenii izmenenii v chasti pervuyu i vtoruyu Nalogovogo kodeksa Rossiiskoi Federatsii i priznanii utrativshimi cilu nekotorykh zakonodatelinykh aktov (polozhenii zakonodatelinykh aktov) Rossiiskoi Federatsii o nalogakh i sborov», No.120-FZ, 20 August 2004 «O vnesenii izmenenii v Byudzhnii kodeks Rossiiskoi Federatsii v chasti pegulirovaniya mezhyudzhnykh otonoshenii»

<sup>iii</sup> Institut Ekonomiki Goroda (2003) *Analiz razvitiya munitsipalnikh finansov v Rossii v 1992-2002 godakh*.

<sup>iv</sup> «Программа развития бюджетного федерализма в Российской Федерации на период до 2005 года». Одобрена постановлением Правительства Российской Федерации №584 от 15 августа 2001г.

<sup>v</sup> This is based on the data of Russian Ministry of Finance, *Otchoty ob ispolnenii byudzhetrov sub'ektov Rossiiskoi Federatsii i mestnykh byudzhetrov*.

<sup>vi</sup> S.G. Khodasevich (2004) *Byuzhethnaya reforma: posledstviya dlya mestnykh byudzhetrov*, *EKO*, No.12, pp.93-98.

<sup>vii</sup> Estimation by Khodasevich (2004).

# The Struggle for Power in the Urals

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## Dramatis Personae

<i>Eduard Rossel</i>	<i>Governor of Sverdlovsk Oblast (from 1991 to present, not including 1993-5). First on current United Russia regional list. Formerly founder of 'Transformation of the Urals' and 'For Native Urals'.</i>
<i>Arkady Chernetsky</i>	<i>Mayor of Ekaterinburg from 1992 to present. Second on United Russia regional list. Founder of 'Our Home Our City', formerly regional leader of 'Fatherland' (Otechestvo), later deputy regional leader of United Russia. President of the Union of Russian Cities.</i>
<i>Vladislav Surkov</i>	<i>Deputy Head of Presidential Administration, responsible for work with social and political organisations ('head of ideology') since 1999. Previously with Bank Menatep/Alfa Bank</i>
<i>Alexander Latishev</i>	<i>Presidential Representative, Urals Federal District (since 2001)</i>
<i>Yuri Osintsev</i>	<i>1st Deputy Mayor (1999-01) then Minister of External Affairs,, Sverdlovsk Oblast(2001-4), then Chair of Oblast Chamber of Representatives (upper house of Sverdlovsk Duma). Previously ally of Chernetsky, then of Vorobyev/Rossel. Mayoral candidate in 2003. Member of Federation Council (senator)</i>
<i>Alexei Vorobev</i>	<i>Premier of Sverdlovsk Oblast Administration 1997-2006</i>
<i>Yakov Silin</i>	<i>Chair of Ekaterinburg City Duma (1997-2005) Ally of Chernetsky</i>
<i>Alexander Levin</i>	<i>Rossel's press secretary and chief of staff since 1991. In charge of political/election strategy and PR. Acting head of United Russia in Sverdlovsk Oblast since 2006.</i>
<i>Vladimir Tungusov</i>	<i>Deputy Mayor since 1997.The 'Grey cardinal'. Head of Chernetsky's political and media team.</i>
<i>Sergei Tushin</i>	<i>Chief political analyst for Chernetsky and Tungusov. Head of public relations operations Reputedly ex-FSB. Now Mayor's chief of staff. .</i>
<i>Vitaly Smirnov</i>	<i>1<sup>st</sup> Deputy Mayor of Ekaterinburg until 2006, subsequently deputy of Oblast Duma.</i>
<i>Galina Kovalyeva</i>	<i>Sverdlovsk Oblast Minister of Economy until 2006, subsequently worked for Anatoly Chubais at RAO ES (national electricity supplier).</i>
<i>Yevgeny Porunov</i>	<i>Chair of Oblast Duma until 2004, subsequently chair of City Duma. Ally of Chernetsky.</i>
<i>Anton Bakov</i>	<i>State Duma deputy since 2002. Formerly deputy of Oblast Duma., Political adventurer. Sometime ally of both Rossel and Chernetsky/Tungusov</i>
<i>Alexander Burkov</i>	<i>Leader of 'May' protest movement, later deputy head of Oblast administration, top of regional list for Party of Justice. Ally of Bakov.</i>
<i>Alexander Khabarov</i>	<i>Leader of OPS Uralmash criminal society ('Uralmash Social and Political Union', since 1999) City Duma Deputy (2002-5) Alleged ally of Rossel. Mayoral candidate in 2003</i>
<i>Alexander Kukovyakin</i>	<i>Co-Leader of OPS Uralmash, City Duma Deputy and member of Oblast Chamber of Representatives 2001-5 Alleged ally of Rossel</i>
<i>Maksim Serebrennikov</i>	<i>Member of OPS Uralmash,, City Duma deputy 2001-5, formed inter-regional group of deputies. Ally of Osintsev. Mayoral candidate in 2003</i>
<i>Victor Maslakov</i>	<i>Head of Economy Department, Ekaterinburg City Administration (until 2001), then Oblast Deputy Minister for Property. Ally of Osintsev.</i>
<i>Alexander Vysokinsky</i>	<i>Replaced Maslakov as head of economy department of city. Coordinated preparation of city strategy document</i>
<i>Jan Gabinsky</i>	<i>City duma deputy, Party of Life, ally of Levin/Rossel. Mayoral candidate in 2003.</i>
<i>Yevgeny Royzman</i>	<i>Former associate of OPS Uralmash. Elected to State Duma 2004. Leader of 'Party of Life' forming part of federal 'Party of Justice'. .</i>

*“..A paradox arose; mayors of regional capitals, also directly-elected, claimed themselves independent from the authorities of the corresponding regional level and free to pursue a policy of their own – in doing so they were supported by the Law on Local Self-Government. How come the largest city of the region with a quarter of region’s population in it, a city having a colossal economy... is not under the control of region’s authorities? It was the beginning of a war..between Edward Rossel, the Governor of Sverdlovsk Region, and Arkady Chernetsky, the Mayor of Ekaterinburg. And the mass media became the most powerful and most effective weapon in that war”<sup>i</sup>.*

*“They say that, in our country, personality drives out institutions. It seems to me that in our political culture personality is an institution”<sup>ii</sup>*

## **Introduction**

The aim of this paper is to analyse the evolution of the conflict between governor Sverdlovsk Oblast (region) and the mayor of the regional capital, Ekaterinburg (formerly Sverdlovsk) over the period from the early 1990s up to 2007. Conflicts between governors and the mayors of regional capitals were the rule rather than the exception in Russia during the 1990s<sup>iii</sup>. However this conflict was sustained and intense to a degree not encountered elsewhere. In the process we will consider the nature of the participants and the ideas that appeared to inform their stance during the struggle, in order to see whether, as Matsuzato implies<sup>iv</sup> the protagonists were interchangeable or whether there were genuine ideological differences between the two sides.

Secondly, although different forms of illegality and criminality were hardly a rarity in the Russian provinces during the period covered, it was Sverdlovsk which was the example usually held up if one wished to advance the thesis that Russian was descending into bandit capitalism or that the state was becoming criminalised. Sverdlovsk Region, and Ekaterinburg in particular became known as a key centre of organised crime from the late 1980s onwards. By the late 1990s, not only had major groups succeeded in legalising their substantial role in the economy what was now a booming region, but the largest group, OPS Uralmash, had become a major actor in its own right in the politics of the region. This process reached a watershed during the Ekaterinburg mayoral election of 2003, in which the theme of organised crime dominated the campaign. The paper starts from the assumption that there are links between the protracted nature of the struggle for power and the high visibility of organised crime in regional politics, although the nature of that relationship is not direct nor simple.

Thirdly the paper attempts to situate the Sverdlovsk epic into a narrative of the development of the Russian State from the chaos that followed the collapse of the Soviet Union to the stabilisation and centralisation of the Putin era. This history has for many acquired the characteristics of a moral tale, although the choice of heroes and villains varies – from those who see a once-weak State being rebuilt under Putin in order to save the country from the depredations of the governors<sup>v</sup>, to those who see a democratic dawn in the early 1990s usurped by a resurgent bureaucracy<sup>vi</sup>. Here we

are confronted by the traditional Russian dilemma – which should be supreme, State of Society? This history and its implicit dilemmas are addressed by Shlapentokh<sup>vii</sup> through the traditional opposition of Locke and Hobbes. The fall of the USSR reduced Russia initially to what Locke refers to as ‘the state of nature’, in the sense of the absence of a law-based state<sup>viii</sup>. However whereas Locke sees the state of nature as (potentially) providing the basis for civil society and collaboration between equals and (again, potentially) quite distinct from the state of war, which occurs when one person tries to place another under their power<sup>ix</sup>, Hobbes sees a the state of nature leading naturally to a state of war of each against all only avoided through the assertion and acceptance of a sovereign power. Shlapentokh’s reading is that Locke’s assumption was tested to destruction by the democrats who took power in the early 1990s. Russia’s democrats both at federal and sub-national levels were seen to have underestimated the importance of statehood, being more preoccupied with market reforms, in line with the dominant paradigm of the period, which emphasised ownership not institutions or rule of law<sup>x</sup>. As a result, a hybrid society ‘liberal feudalism’ had been created in which a market economy underpinned a civil society of the strong, rather than the equality before the law implicit in Locke’s civil society.

Developing Shlapentokh’s argument one may argue that what he terms ‘liberal feudalism’ has the fundamental defect in that, due the contradiction between its two components – liberalism and feudalism, it operates in a moral or ideological vacuum. This, and not just the absence of a common state authority and legal base, means that it is likely to remain mired in what Hobbes terms the state of war, a struggle without justice – ‘where there is no common power, there is no law, no injustice’<sup>xi</sup>. In the early 1990s Russia this was exemplified by what was (usually disparagingly) referred by the public in the as ‘*bor’ba za vlast’*’, the struggle for power, the endless spectacle of different groups within the elite struggling for supremacy. This state of affairs, according to the Hobbesian argument could only be brought to a close through an energetic re-assertion of the state, very much along the lines of what Vladimir Putin has achieved since 2000.

However the question is not whether the State should have been re-asserted, but whether this is sufficient condition to end the ‘state of war’ or, indeed, whether a ‘state of war’ should be annulled altogether. It is with this question in mind that we have reconstructed the narrative of the longest power struggle, that of Sverdlovsk and Ekaterinburg.

The paper draws on research over a long period and through different means. Initial visits were made in 1993-5 to analyse the development of federal-regional and regional local relations. There followed a period of intense participant observation in 2000-3 during which the authors were directly involved in the development and implementation of a strategic plan for the city of Ekaterinburg<sup>xii</sup> (which for a brief period in the Spring of 2003 was the main focus of political conflict), followed by documentary research of local media and a follow-up visit in 2007. Due to the nature of the subject matter and the fact that most of those involved are still in post in what remains a highly sensitive political environment, we have made relatively little use of direct quotation from interviews or conversations, but have rather let the insight from these inform our reading of printed sources.

Although personalities were not (we would argue) the main cause, the conflict was manifested as a war of attrition between two strong personalities and it would be difficult to present the narrative without reference to a range of personalities who played key roles in the conflict. To make the narrative more accessible we have included a list of *dramatis personae* and a chronology of events throughout the period (Table 1).

**Table 1 Chronology of the Struggle for Power in Ekaterinburg**

Year	Russian Federation	Sverdlovsk Oblast (region)	Ekaterinburg (city)
1990	First multi-party elections in soviets (councils) at all levels	Eduard Rossel elected as chair of Oblast council	Pro-democracy candidates win majority on city council.
1991	Boris Yeltsin elected first president of Russian Federation Dissolution of USSR	Eduard Rossel appointed first Governor  Rossel establishes Association for Economic Co-operation in the Urals (six regions).	Conflict between executive and council <sup>xiii</sup>
<i>Fall of USSR and Communist Party lead to unravelling of soviet system and consequent power vacuum leads in turn to conflict initially on horizontal axis between executive and legislative branches of power and on vertical axis between federal, regional and municipal power.</i>			
1992	Federal Treaty  Tension over asymmetrical federalism (differential conditions for ethnic republic and other Russian regions)	Rossel develops support for the idea of the Urals republic both in Sverdlovsk and neighbouring regions.	Arkady Chernetsky appointed first Mayor of Ekaterinburg
<i>Authority is maintained by system of appointed executives at regional and city level, reducing power of councils. Regional attempts to strengthen itself against the centre, taking advantage of executive/legislative conflict at federal level. City seeks to remove itself from regional control especially on economic and land use planning.</i>			
1993	'October Events' – (suppression of parliamentary insurrection) Adoption of Federal Constitution	Rossel declares 'Urals Republic' (upgrading the status of Sverdlovsk Oblast' (July)  Rossel sacked by Yeltsin and replaced by Strakhov (1 <sup>st</sup> Dep. Mayor of Ekaterinburg)  Regional council abolished by presidential decree	Conflict between mayor and council leads to resignation of Samarin, chair of council.  City council abolished by presidential decree.
<i>Defeat of parliamentary insurrection in Moscow leads to abolition of councils at regional and city levels, to be replaced by weaker assemblies/dumas.</i>			
1994		Rossel elected chair of new oblast дума	New city дума elected.
<i>Resolution of horizontal conflict will bring vertical conflict to centre stage, once elections for governor are introduced.</i>			
1995	Law on General Principles of Local Government in the Russian Federation (strengthens position of Mayor as organ of local self-government)  Rossel's Transformation of the Fatherland (the federal version of his regional party) contests federal State Duma elections, but with limited success.	Election for Governor (September) Strakhov (supported by Kremlin and Our Home is Russia) defeated by Rossel (supported by Bakov and own Transformation of the Urals Party) in 2nd round.	Election for Mayor (December). Bakov (supported by Rossel ) defeated by Chernetsky. In 2nd round.  Chernetsky founds Our Home Our City political party.

<i>Introduction of elections for governor sees regional elite defeats Moscow-backed candidate – ‘party of power’* (in this case Our Home is Russia) cannot win in region without support from existing regional elite. Similarly the regional elite proves unable to dislodge city elite. City elite now allied with federal centre against regional elite. Both oblast and city levels now have their own ‘parties of power’ which are stronger than federal parties in the region.</i>			
1996-1997	Boris Yeltsin wins presidential election with support of ‘oligarchs’	Rossel signs agreement between Sverdlovsk Oblast and federal centre, covering powers and finance. This is the first bi-lateral agreement between an Oblast and the centre (such agreements later came to epitomise Yeltsin-era regional policy)	Chernetsky elected Oblast Duma deputy.  Chernetsky appoints Tungusov, the head of his political team, as Deputy Mayor
<i>Election campaign- PR capacity and activity becomes key theme in regional politics. Regional and city elites compete to control mass media as election campaigning through highly polarised and partisan coverage become a permanent feature, City and regional elites back candidates for elections to each other’s legislatures.</i>			
1998	Financial crisis and ‘default’ weaken federal centre. De facto decentralisation of power to governors,	Chernetsky and Tungusov’s Our Home our City heavily defeats Rossel’s Transformation of the Urals in Oblast Duma elections.	
<i>Businesses gravitate towards either Rossel’s Transformation of the Urals or Chernetsky’s Our Home Our City.</i>			
1999	Vladimit Putin appointed as Premier  Resignation of Boris Yeltsin  Vladimir Putin appointed acting president	Election for Governor of Sverdlovsk Oblast: Zhironovsky disqualified from running for governor. Series of alleged attacks on property of Chernetsky supporters. ‘May’ movement populist tactics receive maximum publicity. Chernetsky subject of heavy PR onslaught and ids pushed into third place (15%) behind Bakov ally May leader Burkov (17%), with Rossel in first place (30%). On second round PR resources are turned against Burkov and Rossel win by wide margin.  Khabarov, now leader of Uralmash criminal society changes its name to Uralmash Political Union and enters politics.	Election for Mayor (December). Oblast-backed Spektor defeated by Chernetsky (now supported by Bakov).  Chernetsky elected head of regional branch of ‘Otechestvo’ (Fatherland Party headed by Moscow Mayor Luzhkov).
<i>Regional elite appears to use decoy movement to beat off challenge from city elite (a tactic more usual at federal level). City elite strengthen links with federal level through activism in successive federal ‘parties of power’. Isolated regional elite appears to strengthen links with legalised organised crime.</i>			
2000	Vladimir Putin elected President.	Rossel’s former ally, Bakov publicly breaks with Rossel.  OPS Uralmash leader Kruk ‘suicide’ in Sofia	Chernetsky elected President of the Union of Russian Cities.
<i>Re-assertion of federal authority and ascendancy of city elite puts region on the defensive. Contact between the regional elite and OPS Uralmash gang (who have allegedly supported Rossel since the election of 1995) becomes systematic, following the re-launch of the gang as a business and political organisation.</i>			
<i>City elite begins major project of Strategic Plan, which may reinforce the city’s autonomy. Other major projects, such as hosting the Urals-Siberia exhibition balance or outflank the regions defence industry exhibition and economic forum.</i>			

2001	<p>Establishment of seven Federal Districts – Ekaterinburg designated capital of Urals Federal District</p> <p>End to governors' ex officio membership of Federal Council</p> <p>Establishment of Kozak Commission on distribution of powers between levels of government.</p>	<p>Porunov (supported by Chernetsky and United Russia) elected chair of Oblast Duma Attempt by Rossel to remove him leads to suspension of work of Oblast Duma.</p> <p>Obast Deputy Satovsky (ally of Burkov) assassinated (</p> <p>Dispute between Rossel and incoming President's Representative Latyshev</p> <p>Bakov arrested and questioned over assault on oligarch Fedulev during forced takeover of Khimmash plant, but later released without charge.</p>	<p>Osintsev (1<sup>st</sup> Deputy mayor, responsible for Strategic Plan) appointed by Governor as Minister for External Affairs, and as 'curator' for the city of Ekaterinburg</p> <p>Chernetsky appointed deputy head of regional branch of new pro-Putin United Russia party</p> <p>Kukovyakin (OPS Uralmash) elected to City Duma.</p>
<p><i>The regional elite, now under pressure through city control of the regional legislature, appears to seek to regain the initiative by co-opting the city strategic plan's initiators.</i></p>			
2002	<p>Kozak Commission prepares draft law on General Principles of Local Self-Government in the Russian Federation</p>	<p>Rossel's anti-Moscow faction 'For the Native Urals' wins majority in Oblast Duma.</p>	<p>Khbarov, leader of OPS Uralmash criminal/political society, is elected, to city Duma,, (along with four colleagues) with regional support.</p> <p>Deputy Mayor Tungusov appears to make alliance with Bakov</p> <p>City-raion (district) heads replaced in advance of anticipated tough mayoral election.</p>
<p><i>The regional elite increasingly rely on the (former) criminal organisation Uralmash to make inroads against Chernetsky's city regime. The Duma's anti-mayor bloc, consisting of Uralmash members and the inter-regional group, seen as associated with Uralmash and backed by Minister Osintsev, will by 2002 have reduced the Mayor's bloc majority on the Duma to fourteen out of 27 seats. Chernetsky and Tungusov's grip on the oblast дума is also weakened. Having failed to remove Silin from the post of chair of the Duma the regional elite begin to exert pressure on the strategic plan through apparently coordinated action by Minister Osintsev and the дума opposition. This avenue is blocked after a public dispute with international consultants. post of chair of the Duma the regional elite begin to exert pressure on the strategic plan through apparently coordinated action by Minister Osintsev and the дума opposition. This avenue is blocked after a public dispute with international consultants (May, 2003)</i></p>			

2003	<p>Law on the General Principles of Local Self-Government in the Russian Federation (131/2003)</p> <p>Federal policy, having appeared pro-municipal and anti-region in 2000-2, now appears to move towards an accommodation with regional elites, allegedly in order to secure maximum result in coming presidential election</p> <p>Putin and Federal Chancellor Schroeder visit hosted by Rossel. Visitors impressed by completed Cathedral-on-Spilt-Blood on sight of Romanovs' killing.</p>	<p>Election for Governor (September). On eve of poll Rossel leaves Transformation of the Urals and joins United Russia, who support him as candidate</p> <p>Bakov (supported by Chernetsky) defeated by Rossel in 2nd round.</p> <p>Chernetsky-backed United Russia deputies on Oblast Duma removed from leading posts by the party, which is now working with Rossel's team.</p> <p>Osintsev adopted as candidate by United Russia, in preference to Chernetsky, previously leader of United Russia in the region.</p> <p>However, prior to the second round the Oblast authorities have apparently been divided between those, such as the premier who is seen to back Osintsev for Mayor and the Governor who is seen to back Gabinsky. Both candidates are weakened by a PR conflict between rival teams in the Oblast.</p>	<p>Osintsev intervenes in city budget debate on behalf of Oblast (January)</p> <p>Boycott of city strategic plan by oblast-backed city deputies (April) Strategic plan ratified by Duma (June)</p> <p>Election for Mayor (December) Osintsev (supported by Rossel) defeated by Chernetsky in 2nd round. He result was Chernetsky 54%, Osintsev 39%, and 'none of the above' 7%.</p>
<p><i>Regional elite succeeds in securing support of federal party of power United Russia, undermining city elite and its representatives in Oblast дума. City elite responds with sensationalist campaign by Bakov playing anti-mafia card in both elections to embarrass regional elite (and United Russia) over links with the Uralmash gang. The campaign acquires genuine public resonance and leads to Chernetsky winning a third mayoral election despite this time campaigning against an unprecedented combination of the regional elite and United Russia. The campaign demonstrates the limitations of United Russia's capacity in mainstream election campaigns, just as the Rossel's victory in 1995 demonstrated the limitations of the then federal party of power Out Home is Russia.</i></p>			

2004	<p>President Putin elected for second term</p> <p>Direct elections for Governor abolished in the wake of Beslan tragedy</p>	<p>High profile mass meetings of criminal fraternity organised by Khabarov to resist increased control by Moscow criminal formations provoke arrest of leading Uralmash criminal/political society figures, including Khabarov.</p> <p>Chernetsky and Rossel make ‘non-aggression pact’ following negotiations between Tungusov and Golubitsky, head of governor’s administration.</p> <p>Governors’ political allies, now formally representing United Russia now have 21 out of 28 oblast дума seats. However Chernetsky and Tungusov have (allegedly) been able to maintain influence through negotiations with individual deputies and through blocking debates by making them inquorate.</p>	<p>Joint development projects and plans launched between city and oblast.</p> <p>Joint tours by Chernetsky and Rossel become regular occurrence for the first time since 1994.</p> <p>City loses right to dispose of (most) land without Oblast agreement &gt; Burkov sees this as detrimental to small business.</p>
<p><i>Pressure from Moscow leads to Chernetsky and Rossel making a non-aggression pact and in a very public fashion, with joint walkabouts and tours of public projects. This leads to an acceleration of capital projects (such as the new airport terminal and some new area developments which would have been difficult to achieve without a degree of co-operation between levels of government. Investment from oligarchs such as Vechselberg, and from many other business sources was not forthcoming for such projects during the years of the political stand-off. Now Vechselberg is to fund the development of the new Akademichesky district.</i></p> <p><i>Partnership between city and oblast partly reflects also the new approach that emerged during the Strategic Plan – senior oblast figures had always been included at least on paper in the governing board of the city strategic plan, and now this was being carried out in practice (e.g. on the land use plan). However the weakened position of the city on land use as a result of the passage of the local government reform, Law 131), meant that the city had a greater need to be friendly to the Oblast.</i></p> <p><i>Meanwhile the rapprochement between city and oblast, to say nothing of the embarrassment brought to United Russia during the 2003 elections, had left Khabarov exposed (in an echo of Rossel’s past resistance to centralism) seeks to resist Moscow crime bosses attempt to impose an overall Moscow-imposed ‘avtoritet’ (criminal boss) on the region’s criminal system. A large gathering of criminal groups to discuss this raises the criminal profile of OPS Uralmash too a level that provokes federal agencies into action (although only after the federal State Duma had taken an interest).</i></p>			
2005	<p>Putin’s comments on media-oriented mayors, seen in Sverdlovsk as having been a Rossel-inspired attack on Chernetsky. Speculation about possible abolition of elections for mayors</p>	<p>In prison (January) Khabarov found dead. Prosecutor later (2007) declares the cause of death to be suicide..</p>	<p>City Duma elections (April) no OPS Uralmash candidates stand, and their allies (inter-regional group) all lose their seats.</p>
<p><i>Uralmash are eliminated along with most of the pro-oblast opposition in the city дума. There is now a nationwide debate on whether elections for mayor are needed.</i></p>			

2006	United Russia intervenes to prevent passage of amendment to law 131 that would have abolished elections for mayors of regional capital cities (November)	Rossel instructs 'For Native Urals' deputies in Oblast Duma to switch their allegiance to United Russia.  Surviving OPS Uralmash leader Kukovyakin arrested in Dubai after evading arrest in the RF.	
<p><i>United Russian showing some division over the elected mayors issue with those in favour of elections still able to use a veto to prevent abolition. Among the reasons is almost certainly the view that autonomous local government insures the state against over mighty regions, as well as the view that city autonomy provides the basis for a democratic society and sine qua non of European approval.</i></p>			
2007	<p>Series of high-profile cases of mayors being dismissed on corruption charges</p> <p>President Putin accepts invitation to take first place on United Russia list for the State Duma elections of December, 2007. United Russia is now fully the President's party, thereby marginalizing 'Just Russia' which had also had presidential backing.</p>	<p>Rossel and Chernetsky are both called in for separate interviews with Surkov (presidential administration). In exchange for commitment to deliver high United Russia vote in Duma elections, Rossel and Chernetsky are given respectively the first and second places on the United Russia list in the region.</p> <p>Former Uralmash associate and potential mayoral candidate Evgeny Royzman and other leaders of 'Just Russia' are replaced on that party's regional list by group headed by Alexander Burkov (reportedly with assistance from mayor's allies).</p> <p>Acting regional head of United Russia, Alexander Levin, proposes to Burkov that if he join United Russia, thereby withdrawing 'Just Russia' from standing for election in Sverdlovsk, he will be given full support to run as governor's candidate for mayor of Ekaterinburg,</p>	<p>Chernetsky and Deputy Mayor Tungusov under investigation by federal authorities (conviction would bar Chernetsky from standing in mayoral election).</p> <p>Oblast Duma accepts governor's proposal that in future mayoral elections should have one round. However the Oblast Duma rejects the second part of the proposal, that in the event of no candidate winning an outright majority, the Governor can appoint a winner (the number of candidates is usually such that Chernetsky wins only on second round)</p>
<p><i>For a period Chernetsky appeared to be under pressure through the use of legal instruments, as applied to a number of other mayors (and governors) but this approach does not seem to have been favoured by United Russia. A similar pattern has characterised federal policy towards the big cities – rumours of elections for large city mayors being considered for abolition, followed by a rejection of this by the United Russia leadership.</i></p> <p><i>The federal level political team rely on regional bosses to deliver the vote but, due to abolition of gubernatorial elections the former can exert pressure on them to deliver a higher result. Rossel is first to be called in and first to agree. Titov (governor of Samara) faced with similar conditions, resigns. The Kremlin appears to accept that Rossel and Chernetsky are more likely to deliver than any externally-imposed officials. This does not mean that their rivalry is over. Rossel's team appear to be trying to combine the removal of 'Just Russia' from the regional election (thereby increasing United Russia's share of the vote) with once again turning a Chernetsky ally (Burkov) into an anti-Chernetsky candidate, this time without the 'baggage' of an OPS Uralmash connection</i></p>			
2008	Presidential election (March)		March – election for mayor.

## **Sverdlovsk Region and Ekaterinburg**

Strategically situated on the Europe-Asia, and with a population of 4.6m Sverdlovsk is one of the most populous of Russia's Subjects of the Federation. It is also one of the most developed economically, having been a centre of industrialisation from the 18<sup>th</sup> century, which saw the establishment of substantial metallurgical capacity and the region remains a major source of copper and a range of ferrous and non-ferrous metals. The region saw considerable development throughout the Soviet period, not only as a result of the five-year plans but also through the large-scale evacuation of war production from besieged Leningrad and Moscow. Two of the Soviet Union's largest factories were sited in the region – the Uralvagonzavod in Nizhniy Tagil and the mechanical engineering plant 'Uralmash', which constitutes an entire district of the regional capital Ekaterinburg (Sverdlovsk during Soviet times). In the post war period defence industry continued to expand, with the addition of new sectors such as biological weapons (at Sverdlovsk 17 in Ekaterinburg) and missile technologies. The scale of defence production in the city, and its strategic importance in high technology defence research was recognised by the Soviet authorities by Sverdlovsk (Ekaterinburg) having its own line, separate from that of the region, in Gosplan state economic plans.

The pattern of industrial development has meant that, after Moscow, St Petersburg and Moscow Region, Sverdlovsk is the most urbanised of Russia's Regions (over 4m urban inhabitants), the majority of the population living either in Ekaterinburg (1.3m) or in the belt of industrial towns which surrounds Ekaterinburg in the South of the region<sup>xiv</sup>. The concentration of defence high technology research and development facilities meant that Ekaterinburg (a closed city until 1992) possesses a high concentration of what was in soviet times termed the 'scientific technical intelligentsia'. As a result the city became a centre of progressive politics, and closely associated with Boris Yeltsin who was Party First Secretary for the region 1976-85. In the first multi-party elections in 1990, Ekaterinburg (then under its soviet-era name of Sverdlovsk) was one of only three large Russian cities to return a large majority of pro-reform candidates.

Following the collapse of the Soviet Union 1991, and the subsequent massive reduction in Russian defence procurement budgets, the city's economy – in terms of its large industrial enterprises) almost ground to a halt in the early 1990s. This was partly compensated in the mid 1990s by increased commercial and service sector development. Since the Russian default crisis of 1998, the city has seen increased prosperity due to four main factors: a) partial restoration of the heavy industrial sectors, through defence export orders, b) considerable increase in consumer goods production, substituting for imports c) expansion of the city's retailing, financial and professional services sectors, d) proximity to the booming oil-fields of Western Siberia (Tyumen Region). These trends have helped to create the most noticeable symptom of increased prosperity, a major expansion of construction, especially of residential and commercial properties (notably retail/leisure centres). In 2003 Ekaterinburg received a medal for the fastest growth of any Russian city, a considerable achievement when the Russian economy was growing overall by 7 per cent per annum.

Since 2001, Ekaterinburg has been the capital of the Urals federal district, which covers thirteen regions and population of over twenty million. It is the major higher education centre in the wider region, with a total of nineteen universities. For several years the city has enjoyed the highest levels of growth in retail and commerce, (and highest property prices) of all cities outside Moscow and St Petersburg. The city has seen a shift in industrial profile with more profitable enterprises being found in the food, drink and consumer products sectors than in traditional defence sectors (a shift less pronounced in the smaller cities in the regions where industry is primarily heavy and defence-oriented. As a result, by 2000, the city of Ekaterinburg accounted for over sixty per cent of the economy of Sverdlovsk Region and over eighty per cent of its service sector income.

The regional economy has thus been at the intersection of two separate economic trends, one of which benefited the both region and city (increased defence orders for the Russian military, and, more significantly for South and East Asia). The second trend, the expansion of service and consumer industries, has benefited Ekaterinburg, but the rest of the region only indirectly.

This has an impact on the economic strategies of the city and regional levels. The region has pursued an active but traditional strategy emphasising support for defence and heavy industry. The city, on the other hand has in recent years been pursuing a consciously post-industrial strategy, on the European model, promoting the city as a centre of business services.

### **City-Regional Conflict**

The factors outlined above provide the background to a power struggle between the heads of the city and region that has outlasted all other such mayor-governor conflicts in the Russian Federation, running consistently from 1995. The reasons for the conflict are broadly the same as in other regions in the Russian federation. Most regions are monocentric, with one large city that accounts for a large proportion of the population and a higher proportion of its economy. This gives the regional leadership an incentive to try to gain control of a city budget and its commercial revenues, and the commercial sectors that fall within the city's rather than the city's planning remit. Control of land use has, until recently been ambiguous and open to acrimonious disputes between city and region. The political culture tends towards political-business alliances and these will seek to minimise the power of the others to reduce their influence. Finally the governors, as a general rule, have in many cases been uncomfortable with the notion that cities are not subordinate, especially as the larger cities have the ability to influence the region's economic performance.

Why has the power struggle between mayor and governor been so durable in the case of Ekaterinburg and Sverdlovsk Region? In most similar cases mayors were forced out of office or gave in to pressure before the end of one term of office or were beaten in elections. Three factors may be cited. Firstly the regional and city economies are strong enough to support two rival political regimes over a long period – in many other cities the mayor will not have had a strong economic base. Secondly the region and city has a lively political culture<sup>xv</sup>, a high level of education and political awareness and a wide range of institutes, associations and commercial and non-

commercial organisations that may be mobilised in support of one side or the other. By the late 1990s and afterwards this had translated into an media industry in which mayor and governor had 2-3 television channels with associated PR organisations dedicated entirely to an unremitting daily struggle to gain the advantage over the other side.

However a major factor has been the personalities of the persons concerned<sup>xvi</sup>. Unlike in some other mayor-governor contests, particularly in the early years, where, for example, an academic, NGO activist or entrepreneur might find themselves up against a seasoned bureaucrat or enterprise manager. In this case both mayor and governor had been senior managers in heavy industry during the late Soviet period and were experienced in defending their interests, and in mobilising resources to this end. Of the two, Rossel was the more impetuous and enterprising, whilst Chernetsky tended towards discretion and solidity. Both became known well beyond the boundaries of the region and were adept at defining their position at the federal level as well as through their local and regional power bases.

### **The Urals Republic versus the Centre**

Following Boris Yeltsin's election to the executive presidency of the Russian Federation in June 1991, Eduard Rossel was appointed the first governor of Sverdlovsk Oblast (region). Rossel then appointed Arkady Chernetsky to the post of mayor of Ekaterinburg in 1992. Rossel, had (like Boris Yeltsin) pursued a career in construction, ending up as the head of the main regional construction enterprise, before being elected as a deputy in 1990 and becoming the first regional leader to be allowed to be both chair of the regional council and chair of the regional executive committee Chernetsky had, like many in the Urals elite, started as a metallurgical engineer and had been, from 1987 to 1992, general director of the chemical enterprise Uralkhimmash, where he had pushed through a radical restructuring plan against opposition.

Rossel was one of the most assertive governors from the start. His project for a Urals republic pursued two aims. Firstly the immediate aim was to 'upgrade' Sverdlovsk to republic status, thereby eliminating the difference between Sverdlovsk as an ethnic Russian region and titular ethnic republics such as Bashkortostan or Tatarstan (which at that stage was seen to enjoy substantial fiscal privileges). This would effectively neutralise the nationality (as opposed to territorial) principle in the regional structure of the federation. The advocates of the Urals Republic considered that having three categories of subject (as in the Federal Treaty) was an attempt by a weak centre to divide and rule, and that the national ethnic principle of regional policy was '*a bomb planted in 1918 that will sooner or later go off, now that the Party is no longer there to exert pressure from above*'<sup>xvii</sup>.

Secondly, Rossel had, in 1990, established an Association of Economic Cooperation between six regions in the wider Urals area. The aim was now to convert this into a larger territorial unit. The historical precedent was the larger Urals Region that existed pre 1933<sup>xviii</sup> and the proposal presaged the Urals Federal District as created in 2001. The argument pursued by Rossel and his supporters had much in common with

that of the SOPS economic planning network who had always opposed the smaller regions that emerged from the Stalin period and sought to restore the larger Gosplan economic planning regions of the 1920s<sup>xix</sup>

As mayor of Ekaterinburg, Chernetsky had been pressing an analogous demand, also based on the precedent of Gosplan, for Ekaterinburg to be made a subject of the federation in its own right, on the basis of its past status as a separate Gosplan entity. This thinking was to inform subsequent campaigns (after 2000) to have Ekaterinburg recognised as a 'Third Capital' as this would open up the possibility of becoming a 'federal city' like Moscow or St Petersburg (i.e. to be a region in its own right).

The prospect of an aggrandised ethnic Russian region raised for some the spectre of secession, and the move was rejected both by parliament and president. On 10 November President Yeltsin (having just suppressed the Parliamentary insurrection) dismissed Rossel from the post of governor and replaced him with Alexei Strakhov (Chernetsky's 1<sup>st</sup> Deputy Mayor) who was opposed to the Urals republic. Rossel was once more elected chair of the Oblast Duma and from there successfully lobbied for federal support for a law whereby a the governor of the region should be elected.

### **'Transformation of the Urals' versus 'Our Home is Russia'**

In the election, held in July 1995, the federal authorities attempted to get Strakhov re-elected for Our Home is Russia – the then 'party of power associated with the then prime minister Victor Chernomyrdin. However Rossel's campaign was far more effective and he won almost 70 per cent of the votes on the second round<sup>xx</sup>.

Rossel's campaign was a landmark in the use of PR techniques in Russian elections<sup>xxi</sup>. This was not new to the Urals, as Boris Yeltsin's move to Moscow from Sverdlovsk had been the result of a systematic campaign of image-making and projection in the early 1980s<sup>xxii</sup>. Strakhov's campaign by contrast was inept in the extreme, despite being assisted by federally-approved Moscow-based political campaigners, and considerable financial backing. Characteristic of the low level of Strakhov's campaign was a poster depicting a giant pawn dominating a chessboard, with the slogan 'let the authorities explain to each citizen how they will play them'. Rossel's campaign image depicted the candidate peering grimly over a raised telephone receiver, clearly in the process of resolving a complex practical issue, an image that registered well with a public who wanted practical results. The campaign involved the creation a new party '*Preobrazheniye Urala*' (Transformation of the Urals). This was a broad coalition, including groups as diverse as communists, cossack nationalists and Yabloko social democrats).

Rossel's campaign had in reality begun well before the election and had received support from the federal level that had undermined his opponent's position. Particularly noteworthy had been a visit by the deputy chair of the federal government Sergei Shakhrai who had neglected Strakhov in favour of a longer private meeting with Rossel and Bakov (see below)<sup>xxiii</sup>

Rossel saw the result as a vindication of his earlier Urals Republic project<sup>xxiv</sup>. At his victory celebration Rossel declared his aim to broaden the movement to become

‘Transformation of the Fatherland’ to cover the whole federation, so that ‘every village will have a branch of the movement., in order to strengthen both the federation and civil engagement’<sup>xxv</sup>. In the event, the movement, although it attracted many candidates in other regions, often being seen as a broader based alternative to the existing liberal parties, did not find sufficient electoral support outside its Urals heartland in the elections of 1995 and ceased to operate at federal level. It may be seen as a curious blend of two types of Russian political organisation – the inter-regional network of the type later exemplified by Luzhkov’s ‘Fatherland’ movement, and the attempt to build civil society from above on the basis of village level organisation, as with the Gorbachev era’s territorial self-government initiative and, arguably the Kozak Commission’s promotion of self-government at settlement level. In regional terms, the episode demonstrated the scale of the ambition and aspiration that has tended to characterise Sverdlovsk politics as both regional and city level. Opinion polls collected by the governor’s researchers suggested that this was not merely hubris on Rossel’s part – public attitudes supported the idea of the governor being a figure of federation-wide significance<sup>xxvi</sup>

An important factor in the success of Rossel’s campaign was the support he received from a team headed by Anton Bakov, a young political operator, who had been elected to the Regional Duma under Shakhrai’s Unity and Agreement Party (PRES) and who had actively supported the Urals Republic idea in 1993 and who joined Rossel’s Transformation of the Urals. Bakov, described by his associates as a ‘Napoleon’<sup>xxvii</sup> figure and by journalists as an ‘*affairiste*’ was a metallurgist had already made a fortune in the aluminium business and was eager to establish himself politically. He saw the campaign very much in terms of preventing Moscow not to dictate to the regions and wanted to see this principle extended to stopping the ‘neo-colonial’ expansion of Moscow banks buying up property in the regions<sup>xxviii</sup> This defensive position against Moscow business was shared by the criminal gang OPS Uralmash, who took a protectionist view of the region’s resources. Rumours of the organisation’s support for Rossel date from this period.

Strakhov had attempted to build support among local authorities by passing a new regional law that would allow elections for municipal heads. In the event this was ruled out by a court decision, but the passing of the Federal Law on the General Principles of Local Self-Government in the Russian Federation meant that elections for municipal heads would take place in any case.

### **‘Transformation of the Urals’ versus ‘Our Home, Our City’**

Immediately after the victory in the gubernatorial election it was agreed that Rossel’s team would support Bakov as an official Transformation of the Urals candidate for mayor against Chernetsky at the first election on 17 December, 1995. Chernetsky, for his part, formed his own party ‘Our Home, Our City’, echoing the federal Our Home is Russia’ party (Chernetsky’s party colleague, Vladimir Tungusov (ubiquitously referred to as the ‘grey cardinal’) had supported Strakhov directly through the party). He had considered supporting Strakhov, but had not done so actively as it had soon become clear to all that the latter’s campaign was heading for a heavy defeat<sup>xxix</sup> and that supporting it would only reduce Chernetsky’s own chances in the mayoral election a few months later.

The Bakov camp considered Chernetsky a worthy if somewhat traditional opponent but expected Rossel to 'put him in his place'<sup>xxx</sup>. In the wake of Rossel's victory, Chernetsky appeared isolated to some – he was seen as having no need for the city council, seeing them as a dilution of mayoral authority, although his high level of professional ability (not universal among mayors in the early 1990s) meant that many councillors still supported him<sup>xxx</sup>. Nonetheless the poor relations between mayor and at least some councillors opened up a line of attack that would be exploited by Rossel's supporters in this and future elections. When it came to the election on December 17 1995, Chernetsky beat off Bakov's challenge, the latter winning only 16 per cent on the second round. Bakov showed himself once again to be a gifted political campaigner, but not a credible replacement for Chernetsky, who had built up a base of genuine popularity in the city, projecting an image of dependable professionalism, confirmed by his winning the all-Russian competition 'Russian Mayor-95'<sup>xxxii</sup>. The bases for Chernetsky's success in this and subsequent elections was his ability to combine a liberal/social democrat outlook with the style and experience of a late soviet-era industrial magnate and a detailed understanding of how the city's infrastructure actually worked. This ensured that he outlived both the first generation of well-meaning progressive mayors who were out-manoeuvred by vested interests and the old-guard industrial managers who were unable to adapt to electoral politics and the need to interact with the public.

If, in the early years of democratisation (1990-3), conflict had been on the *horizontal* level – between executive and representative bodies, from this point the main axis of conflict was *vertical*, between city and region. From this election onwards, the political, economic and social dynamics of the region were to reflect the struggle for supremacy between governor and mayor. In some respects this was not new – for example the Institute of Philosophy had supported Rossel whilst the Institute of Economics had supported Strakhov<sup>xxxiii</sup>, this principle was now to become further embedded as all electoral contests, and the increasingly long and bitter campaigns that preceded them, became duels between Rossel and Chernetsky, either directly or through surrogates. This was true not only for the gubernatorial elections of 1999 and 2003, and the mayoral elections of the same years, but also the elections to the Regional Assembly and the Ekaterinburg City Duma. It became standard practice for the Governor's team to create and support an anti-mayoral bloc of deputies in the City Duma and for the Mayor's team to do the same in the Regional Duma. In addition, Chernetsky was elected a member of the region's second chamber, the legislative assembly, where he chaired the committee on local self-government (he had also been a deputy of the Regional Council in 1994-6). In the 1998 elections for the Regional Duma Chernetsky's Our Home Our City won over 20 per cent against a mere 9 cent for Rossel's Transformation of the Urals, encouraging Chernetsky to aim for the governorship in 1999.

In 1997 Chernetsky had appointed Vladimir Tungusov as Deputy Mayor for Organisation and Public Relations. Tungusov had since 1991 headed the construction company 'Our Home' and was the key strategist in the party 'Our Home Our City'. Known by allies and opponents alike as 'the grey cardinal' Tungusov was in charge of appointments within the city administration (including the city's eight districts) and combined this with heading the Mayor's political team, including election strategy and tactical issues surrounding the City Duma and Regional Assembly. This led to

rivalry between Tungusov and Yakov Silin the Chair of the City Duma, also an ally of Chernetsky, although the two not always agree<sup>xxxiv</sup>. Despite the severity and longevity of the political conflict this did not lead to complete integration of teams – apart from the certainty that the PR teams of region and city would publicise scornful commentaries on the efforts of their respective authorities, individual policy decisions were not predictable or programmed in the way that might have been expected under a conventional political party structure, but were taken individually and an alliance between senior figures on one issue did not automatically lead to a similar alliance on another. In this way both Chernetsky and Rossel maintained undiluted power within their respective authorities throughout the period under discussion.

In the 1999 election Chernetsky, who started from a position of strength after the Regional Duma results of the previous year, was targeted in a sustained PR campaign of unprecedented intensity from the regional media, which succeeded in damaging his campaign. In the meantime the regional media gave an easy ride and even assisting to the other main challenger, Alexander Burkov, who had together with Anton Bakov, set up the oppositionist movement ‘May’ given to carrying out high-profile provocations, occupying buildings, calling officials to public account<sup>xxxv</sup>. As a result, at the first round Chernetsky was pushed into third place. For the second round the regional media turned their fire wholly onto Burkov and the dangers presented by his ‘extremist’ movement<sup>xxxvi</sup>, and Rossel was able to win comfortably<sup>xxxvii</sup>.

The campaign of 1999 reflected wider trends – the PR barrage was very much like that which destroyed the presidential bid of Moscow mayor Yuri Luzhkov the following year, while the tactic (as it appeared to be) of encouraging alternative opposition movements which can be used to sideline genuine opposition parties before being despatched appears to have become a feature of Russian political tactics and analysis. However ‘May’ and Rossel’s team were never one and the same, which was underscored by Bakov’s abrupt switching sides after the gubernatorial election in September and supporting Chernetsky in the mayoral election of December 1999, which the latter comfortably won. However the experience of the gubernatorial election showed Chernetsky’s media to have been outgunned by that of the governor in terms of resources, scale, intensity and ruthlessness. Although Chernetsky’s own re-election campaign had been successful, Tungusov and his deputy Sergei Tushin in charge of campaigning were obliged to expand their media resources in order to keep pace and by 2003 they were seen to have achieved parity with the regional media, or even attained a relative advantage, with two television stations, Channel 41 and RTK, against the region’s OTV channel. Newspapers and glossy journals were also evenly divided although readerships were small compared to television audiences.

Tushin adopted a disciplined quasi-military approach within the overall strategy set out by Chernetsky and Tungusov. Media tactics were worked out with precision regarding short and medium objectives, sequencing and style of operation (‘area bombardment’ versus ‘precision strikes’ etc.). The ideal was to have a game plan that worked according to chess logic, anticipating opponents’ responses three moves ahead. The opposition, under Levin operated in similar fashion, although the nature of the oblast level (a clear split between Governor’s residence and oblast government/administration meant they had less focus than the city, where for political forces were concentrated and unambiguously under the control of the Mayor and Tungusov.

Chernetsky was also active in politics beyond the confines of Sverdlovsk Region. He was leader of the association 'Cities of the Urals' and was a leading figure in the Union of Russian Cities, of which he has been President since 2001. He was also to be a member of the Council of Local and Regional Authority representatives at the Council of Europe and a member of the presidential Council for Local Self-Government established by Putin<sup>xxxviii</sup>. Most significantly Chernetsky was elected head of the regional branch of 'Fatherland' (*Otechestvo*), which had been set up the previous year by Yuri Luzhkov, mayor of Moscow. As federal power stabilised under Primakov premiership and later the Putin premiership and presidency, lobbying of the federal level and competing to demonstrate federal-level approval, became increasingly important – hence Rossel and Chernetsky both (separately) meeting with Primakov in Moscow in the run-up to the gubernatorial elections of 1999.

After 2000 it was Rossel who began to appear vulnerable – as the archetypal assertive regional boss he might have been expected to be out of favour with the Putin presidency, especially as Chernetsky was, from 2001 the deputy head of the regional branch of the pro-Putin party United Russia which had emerged from the union of 'Unity' and 'Fatherland'. Chernetsky's ally Porunov was chair of the Regional Duma, supported by the United Russia fraction, controlled by Chernetsky and his team. Rossel's attempt to remove Porunov led to a boycott by his supporters and the Regional Duma ceased to function for much of the period 2001-2. In the meantime Chernetsky had built up good relations with Pyotr Latyshev the president's representative for the new Urals Federal District, whereas Rossel was outspoken in his criticism of the institution of federal districts<sup>xxxix</sup>. When, on arrival in the city in 2001, Latyshev attempted to place his headquarters in the most imposing building in Ekaterinburg, which happened to be used as a children's centre, and was obliged to back down after well-publicised protests which were supported by the Governor, it was the mayor's administration that found the federal district alternative accommodation.

Hemmed in from above and below, Rossel was not to be marginalised, however. In mid-2001 he succeeded in recruiting the Chernetsky's 1<sup>st</sup> Deputy Mayor, Yuri Osintsev, and appointing him as External Affairs Minister in the regional government. Osintsev formerly as senior manager at the Uralmash factory, had become well-known in the city, was charismatic and regarded as a progressive moderniser. From 2000 Osintsev had been responsible for the setting up the City Strategic Plan (see below).

It was soon apparent that Osintsev was being groomed as the next region-backed challenger for the mayoral election of 2003<sup>xi</sup>, especially when Rossel appointed Osintsev as the 'curator' of Ekaterinburg (after winning the 1995 election Rossel had divided the region into sectors, each of which had a curator who in effect had the task of checking on the activities of local authorities). Assigning to Osintsev the role of checking on his former boss was means of giving him a head start in the election campaign. Osintsev began to cultivate the opposition (i.e. anti-mayor) deputies of the city duma, and was considered to the initiator of a new fraction, the 'inter-regional' group bringing together enemies and erstwhile allies of Chernetsky. Osintsev's intentions became more explicit in January, 2003, when Osintsev caused a sensation

by stepping onto the floor of the City Duma at the end of the budget debate and (in front of the assembled media) accusing the city administration of massive fraud<sup>xlii</sup>.

In the meantime Rossel's lobbying of the federal authorities began to bear fruit. Firstly he was granted the possibility of running for a third term, and secondly, as the campaign for the mayoral election campaign commenced, United Russia endorsed Osintsev as their official candidate (although he had not previously been a member of the party), and not Chernetsky, despite the latter being deputy head of their regional organisation. Chernetsky as a result was effectively marginalized and snubbed by United Russia, as were his allies who had constituted the United Russian fraction on the Oblast Assembly.

This, by any simple reading of how power worked in the Russian provinces, should have been enough to spell the end for Chernetsky. However, even under Putin's presidency support from United Russia no more meant automatic success at the polls than support from Our Home is Russia guaranteed victory for Strakhov in the gubernatorial election eight years earlier<sup>xliii</sup>.

The problem facing Osintsev's future campaign was that it lacked a major issue to campaign on, beyond Osintsev's personal appeal. The previous year the city had been voted the most flourishing regional capital, winning the 'golden rouble' award for financial-economic regeneration, the city had successfully launched the large-scale Urals-Siberia Exhibition in July. Although accusations of corruption were levelled against the mayor and the city administration during the campaign by the regional media, this was not an area where the region could demonstrate superiority, as well as confusing the electorate in that the candidate who was now so critical of the city administration had been well known in the city as 1<sup>st</sup> Deputy Mayor only two years earlier under the same mayoral regime.

The one area that which Osintsev could potentially use in a future mayoral campaign was the Strategic Plan, for which he had been the lead official in its early stages, as 1<sup>st</sup> Deputy Mayor for the Economy<sup>xliiii</sup>.

### **The Conflict over the City Strategic Plan**

The Strategic Plan was a major theme in the political and administrative life of Ekaterinburg in 2000-3, the most intense period of region-city rivalry. The issue acquired a highly symbolic status as it provided an arena for both co-operation (in the early stages) and conflict (in the later stages) between city and region. The Plan's preparation mobilised a substantial part of the city's elite and civil society at the same time as projecting the city's image to a wider audience at federal level and other large cities in the Federation<sup>xliiv</sup>. The strategy development process was supported by a UK bi-lateral project, for which the authors of this paper were responsible<sup>xliv</sup>.

Work had begun on the Strategic Plan for Ekaterinburg (intended to guide development until 2015) in 1999 not long after the publication of the St Petersburg City Strategy, seen as the first modern city strategic plan in the Russian Federation. Osintsev presided over a group of academics and local consultants who were in favour of moving Ekaterinburg away from its traditional reliance on defence industry

and towards a '21<sup>st</sup> century' post-industrial commercial future, capitalising on what its location on the Eurasian overland trade route <sup>xlvi</sup>. In this early phase the work was coordinated by Osintsev's ally, Victor Maslakov, head of the city Economic Department.

Although it was understood that the city strategy was a potential rival of the regional plan (which took the traditional form of a 'scheme for the distribution of productive forces', there was at the outset a clear, if understated, agreement that economic development was in the interest of both region and city and therefore politically neutral. The regional Minister for Economy, Galina Kovalyeva, maintained good relations with Osintsev and the city economic team, even presenting a paper at the second large-scale strategy conference in November, 2000 <sup>xlvi</sup>. Kovalyeva's paper argued for development to be balanced between industry and services, in effect seeking a common ground between the city and regional positions. At the same conference Osintsev and Chernetsky made keynote speeches focusing on the need to develop business and services, so that the city would become a genuine 'capital' city of the wider region rather than the inward-looking factory-city of the Soviet period <sup>xlvi</sup>. In a press conference after the same conference Osintsev was obliged to explain to the regional journalists that this did not mean the aim was to close down the city's industries.

However, although the region's coverage of the city strategy retained a sceptical tone it was broadly supportive. To some extent this represented a legacy of the Gosplan hierarchy – the issue of regional and city strategies were identified with the largely non-political economic roles of Kovalyeva at the regional level and Osintsev at the city level, so that the political figures, the Governor and the Mayor were less directly involved, enabling the strategy as a whole to be seen as non-political. This was to change once Osintsev moved to the region in May, 2001.

The Governor's appointment of 1<sup>st</sup> Deputy Mayor Yuri Osintsev as the External Affairs Minister for the Region was seen, correctly as it turned out, as the first stage in Osintsev's becoming a Governor-backed candidate for Mayor in the coming elections of December 2003. It also upset the delicate balance of understanding that had grown up between regional and city administrations regarding the strategic plan. Rather than acting as a bridge between city and region on strategy issues, Osintsev's location in the regional government raised two potentially damaging possibilities - either a separate rival strategy for the city, prepared by the region, or increased regional influence over the development of the city strategy.

Although the strategy was now formally being coordinated by a 1st Deputy Mayor, Vitaly Smirnov, for several months after Osintsev's departure the key role in the strategy appeared to be being played by Maslakov, who had served under Osintsev as Head of Economy and who had now followed Osintsev to the region, where he had been appointed head of the land and property department <sup>xlvi</sup> (a key area of region-city tension) the aim here being rather transparently to allow the region to acquire the knowledge that had enabled the city to past conflicts over land acquisition and development. At the same time Maslakov continued to exercise tight control over the development strategy. There was a suspicion that Maslakov might use his influence to either delay the strategy's development or pursue a separate agenda, possibly on behalf of the region<sup>1</sup>. As was to occur on several occasions these underlying tensions

surfaced in disputes with or around the bi-lateral project that was supporting the strategy process<sup>li</sup>. After Osintsev's departure, Maslakov began to exert pressure on the bi-lateral project, challenging the basis on which it worked, in what was seen to be an attempt either to take control of or eliminate the project<sup>lii</sup>. This was regarded with disquiet by several within the administration, in that it seemed to be part of an attempt to exercise a high degree of control over the strategy process and the development of the strategy document, not necessarily in the city's interests. Although the strategy document itself was under tight control it was possible to submit it for external review. In August 2001 the bi-lateral project referred the draft strategy produced by Maslakov's team to external referees<sup>liii</sup>. The latter's criticisms were severe and unambiguous and led to a reaction within the administration with the result that document was dropped, and Maslakov was removed from the strategy coordination committee and from the process overall.

This led to a major change in approach. The Mayor took control of the strategy on a daily and weekly basis, alternating with 1<sup>st</sup> Deputy Mayor Smirnov, who was now able to coordinate the process without having to accommodate Maslakov's influence. Two leading city academics<sup>liv</sup> were appointed to replace Maslakov in terms of being responsible for the overall concept of the strategy, working with the new head of the economy department, Vysokinsky, the only member of the Osintsev/Maslakov group to remain in the city and side with the Mayor against Osintsev's challenge. A large partnership body (the 'Programme Council') was formed and began to meet on a regular basis (both in plenary conferences and in sub-sections) to approve overall strategic direction and later the individual strategic projects. All the functional Deputy Mayors became involved as responsible for sections of the strategy. The city strategy thus began to move in the direction of international trends regarding public involvement and institutional partnership<sup>lv</sup>, and further from a purely technocratic model of strategy. The final document, which drew on an elaborate system of working groups, appeared in March 2003, and listed more than one hundred authors<sup>lvi</sup>.

The approach thus combined centralisation (direct involvement and monitoring by the Mayor and 1<sup>st</sup> Deputy) with wider participation and partnership both inside the city administration (across departmental boundaries) and between the administration, business and civil society. This approach did leave the head of economic department, now Maslakov's former protégé Vysokinsky, in a strong position, but there was now a much clearer line of subordination to both Mayor and 1<sup>st</sup> Deputy Mayor and a higher level of mobilisation of partners so that the strategy could not 'captured' as appeared to have occurred under Maslakov.

However, the dispute that led to the removal of Maslakov from the strategy team may in retrospect be seen as the first of several rounds in a city/regional conflict regarding the city strategy, a conflict that would not be resolved until June, 2003. Although regional officials, including Yuri Osintsev himself, were members of the Programme Council, and increasing polarisation could be discerned between the city and the region regarding the strategy. An attempt was made to involve senior regional officials in the management board (*pravleniye*) of the Programme Council, but with limited success<sup>lvii</sup>. One explanation would be that while the Mayor's direct involvement in leading the strategy process made that process far more effective within the city administration, society and business, it could make partnership working with the region more problematic, given that the Mayor was a political as

well as an administrative figure<sup>lviii</sup>. However the more likely explanation is that the political team at the regional level had already decided to make the city strategy a theme in regional/city conflict<sup>lix</sup>. This view is confirmed by the fact that Yuri Osintsev was appointed to be responsible for the regional development strategy, normally under the control of the regional economic ministry. With Osintsev known to be a future mayoral candidate on behalf of the region, this effectively politicised one of the few areas (economic development) where the region and city had maintained a degree of cooperation.

Evidence of polarisation between city and region over the strategy grew and the strategy itself was developed during 2002. By late 2002, with the mayoral election little over a year away Yuri Osintsev began to be presented not only as a future mayor, but one who would have a different strategy:

*“Each of the two main political forces seeking to run the city for the next four years will be presenting the electorate with its own development plan...the city authorities think that the Urals capital should become a commercial-financial, entertainment and conference centre on the border of Europe and Asia...Mayor Chernetsky himself states that his plan is based on the experience of the British city of Birmingham which has changed over the last thirty years from being an industrial city to and financial and entertainment centre dominated by the service sector. ....An alternative development plan for the city is proposed by Sverdlovsk Regional Administration under the humble title of ‘Scheme for the Distribution of Productive Forces...oriented primarily on the real sector of the city’s economy...The regional authorities consider that the development of Ekaterinburg as a financial and entertainment centre is an important task. But, while following European models, the specific nature of the Urals capital should not be forgotten., the regional plan seeks to triple industrial production in the city by 2015...The struggle between these two conceptions takes on a special significance in that the curator of the regional programme, Yuri Osintsev and considered to be the main rival of Arkady Chernetsky at the next election...so that the citizens of Ekaterinburg will have the possibility of choosing between two options for the future of their city. And only their vote will decide whether it will become a Urals Birmingham, full of exchanges, banks, bowling alleys and aquaparks or whether Ekaterinburg will remain a city that is proud of its high technology industry and science-intensive production”<sup>lx</sup>.*

This was a caricature of the ideological difference that was emerging between city and region, and ironic in that as deputy mayor Osintsev had himself been criticised by industrialists for speaking in favour of diversifying away from a reliance on heavy industry. However a genuine difference of emphasis was emerging between city and region. On a number of occasions in 2002 Chernetsky publicly referred to the fact that the most profitable and highest paid enterprises on the territory of Ekaterinburg were a perfume plant and a chocolate factory and there was no reason why this should be seen as inferior to the traditional defence enterprises.

A more fundamental difference lay in the new strategic plan’s emphasis on quality of life and public services, especially the social bloc (education, health, social services) and housing/utilities. This shift of emphasis away from a preoccupation with industry reflected Chernetsky’s view, expressed at several conferences and public meetings in 2000-2 that Ekaterinburg had been developed in the Soviet period as a ‘factory-city’,

a city for production rather than people, and needed to place a higher priority on the wellbeing of the city's inhabitants and the city's development as a multi-functional internationally-oriented 'Eurasian capital'. The strategy's emphasis on the key areas of education, health and housing were seen to have influenced the subsequent development of the 'national projects' under federal vice-premier Medvedev<sup>lxi</sup>

However, the view was strongly held within the city administration that the Strategic Plan should not become a theme of the election campaign as this would undermine its longer-term legitimacy (as a plan in its own right, as opposed to a sub-division of a regional plan). Legitimacy also required that the plan be ratified by the City Duma rather than adopted unilaterally by the Mayor, and that this should take place well before the election, due for December 17, 2003. There was also to be a gubernatorial election in September, 2003, so to avoid the three-month election campaigning period for either election the strategy had to be ratified by mid-June.

The Duma was due to debate the strategic plan on 25 April. The day before, Regional Deputy Premier Osintsev delivered to Yakov Silin, the Chair of the Duma, a report on the strategic plan by his staff at the regional ministry of external affairs<sup>lxii</sup>. The report strongly recommended that the deputies should not adopt the strategic plan. The next day the Duma session was inquorate with nearly half the deputies – those belonging to pro-region/anti-mayor deputies (unofficially) boycotting the session. The boycott was a major event in adversarial PR terms - the debate had been scheduled to take place not in the council chamber but in the great hall of the city administration building, with a large audience of invited notables and all the regional and city media present, so that the boycott and its aftermath dominated the local and regional media.

The fourteen (out of twenty-seven) deputies that boycotted the proceedings consisted primarily of the two pro-regional opposition factions – Alexander Khabarov's OPS Uralmash (the Uralmash Political and Social Union created in 1999 by the Uralmash criminal firm (see section on organised crime below) and its allies, the Inter-regional group, (seen to have been Osintsev's own creation)<sup>lxiii</sup> led by Maksim Serebrennikov, a former member of OPS Uralmash. The boycott, and the high-profile manner in which it had occurred projected the strategic plan for the first time into the centre of the political arena between city and region, and led to an escalation of that conflict in public relations terms. The boycott was strongly criticised by Silin and by Chernetsky in speeches at the abortive Duma session and in a subsequent press conference. Although in retrospect it was clear that there was a link between the boycott and the objections to the strategy contained in Osintsev's report delivered in person to the chair of the Duma the previous evening, the boycott deputies were initially silent, as if absent for other reasons<sup>lxiv</sup>. However, the media coverage of the boycott was such that the deputies concerned felt obliged to give a press conference themselves to justify their position.

The main arguments in Osintsev's report were that the city strategy should not be approved separate from a regional strategy and that the partnership arrangements associated with the Strategic Plan, and the partnership structure (Programme Council) associated with it were not workable and that the process should in effect begin again after the election with a new mayor. The report also criticised the emphasis on city marketing and image making that was seen to inform the city strategy. These points

were refuted in a public reply to Osintsev from the bi-lateral project<sup>lxv</sup>, which appeared to close this debate, as the original report was no longer referred to.

However following a meeting immediately the boycott, the bi-lateral project became embroiled in a dispute with the Osintsev's allies in the city duma, the inter-regional group of deputies, led by ex-OPS Uralmash Maksim Serebrennikov. Following a meeting to discuss why the Inter-regional Group had boycotted the Strategy, the deputies publicised through the regional media a story that the British Government were demanding a refund of the project budget from the city administration (the deputies were unaware that bi-lateral technical assistance project budgets are not transferred to the beneficiary and therefore could not be refunded by them). This led to a public exchange of open letters that was given prominence by both the pro-mayor and pro-regional media<sup>lxvi</sup> and was for a period the focus of the PR-conflict between the two sides.

The dispute was not without an element of farce – after receiving a strongly-worded letter from the project complaining about the circulation of the story referred to above, the deputies appealed publicly for support from the Ministry of Foreign Affairs of the Russian Federation and other federal agencies<sup>lxvii</sup>. The dispute culminated in an what was seen as a difficult interview for Osintsev on the independent fourth TV channel, in which he was obliged to explain why his allies in the City Duma had come into conflict with an international project with which he had been associated at 1<sup>st</sup> Deputy Mayor and for which he was still indirectly responsible as Minister for External Affairs. Immediately prior to that interview, agreement was reached with Osintsev that the strategy and the project should no longer be a focus for political PR. The agreement was observed – the project received no further attention from the regional media and the strategy did not figure as a significant theme in the election campaign, contrary to what had been anticipated. Curiously not all the Oblast media coverage of the dispute took Osintsev's side – some examples presented the project's case fairly, concluding that

*“The emotional protest by the British side, against the attempts to make the development plan of Ekaterinburg a trump card in a political game has proved a great help to mayor Chernetsky's team in deflecting the attacks of its opponents. On 25 April the mayor of Ekaterinburg had stated that the deputies' sabotage of the strategic plan was an obedient execution of a political instruction. Duma chair Yakov Silin was more specific, placing the responsibility with the Oblast leadership, whilst Sergei Tushin, head of the analytical section of the mayor's administration said that behind the scandal was the hand of Yuri Osintsev who hoped to be the next mayor”<sup>lxviii</sup>.*

This was one of the first indications of a clear split between two PR teams at the oblast level, one led by Alexander Ryzhkov, reporting to Alexei Vorobyev, premier of the Sverdlovsk Oblast Administration, and the governor's PR team, led by Alexander Levin. The governor's team reportedly regarded the strategic plan as non-political<sup>lxix</sup> and moreover were hostile to Osintsev, preferring to back city duma opposition deputy Jan Gabinsky as their candidate for mayor<sup>lxx</sup>

The definitive end to the dispute over the strategy came on 10 June (the last day before the start of the campaign for the gubernatorial election in September), after

weeks of behind-the-scenes diplomacy (involving discussions with each deputy in turn) by the Duma Chair Yakov Silin, a quorate City Duma convened to debate the strategy.

At the end of a four-hour debate the final vote was fifteen in favour, four against and four abstentions<sup>lxxi</sup>. The hard core of the OPS Uralmash group continued to oppose the plan (in line with the Governor's position) although some of their allies changed sides and supported the strategy. The four 'inter-regional group' deputies abstained, thereby confirming that Yuri Osintsev, whilst not supporting the strategy, would no longer oppose it and that the strategy would not be a major theme in the mayoral election campaign in December.

Despite the widely-held view that the Strategic Plan was embarked on purely for electoral purposes the city administration avoided using the plan in its election campaign (although there were references in some bulletins to Osintsev's report and the arguments against it). The city administration continued with the develop and implement the constituent programmes of the strategy long after the election. More than four years later, in 2007 the programme council (the city's development partnership created in 2002 in the early phase of the strategy) was meeting almost monthly to debate and approve sub-projects designed to implement the strategy's programme objectives. The only difference was that these programmes had now been adapted to meet the aim and targets of the federal 'national programmes, the priorities of which were not dissimilar to the city strategy'<sup>lxxii</sup>.

In the event, both the gubernatorial and mayoral elections were dominated by a quite different issue, that of organised crime. Before reviewing its role in the elections of 2003 it is necessary to consider the changing role of organised crime in Sverdlovsk region over the previous decade.

### **Organised Crime in Sverdlovsk**

It is often assumed that organised crime appeared in Russia during the period between *perestroika* in the late 1980s and privatisation in the early 1990s. Although the collapse of Soviet power and the emergence of private property had major effects on the opportunities available to criminal organisations, the roots of organised crime as a nationwide phenomenon date back to the 1930s and the development of the gulag penal system. This facilitated the development of a unified criminal sub-culture, with its own mores, speech and rules of conduct, interpreted and enforced by an elite of *vory v zakone* ('thieves in law'). Separation from the state and its representatives was a strict principle, although the criminal sub-culture was in many respects a by-product of the Soviet state – the more strong and oppressive the state regime became, the more organised and powerful the underworld became<sup>lxxiii</sup>.

The first official use of the term 'organised crime' in the USSR was in 1985 in Uzbekistan<sup>lxxiv</sup>. By 1989 the term was accepted sufficiently to be the subject of a parliamentary order and in 1992 the Russian directorate for the Struggle against Organised Crime (RUBOP) was created, and by the mid-1990s the term and the phenomenon were commonplace. However, as the Russian state and economy changed, so did the system of organised crime. Volkov has described how the old

collectivist anti-state culture of the ‘thieves in law’ was gradually replaced by ‘*avtoriteti*’, ‘bandits’ or ‘violent entrepreneurs’ who, far from avoiding the state, sought to strengthen their links with the state to advance commercial interests. Whereas the traditional thieves sub-culture grew up as a by-product of a collectivist socialist state, the bandits grew up as part of a system product of weak-state capitalism in Russian during the 1990s<sup>lxxv</sup>. As such they regarded themselves not only as partners of the state but to a degree substitutes for the state, selling services and providing a system of authority and organisation. In that period of the 1990s when the state was weakest<sup>lxxvi</sup> it was seen by some as being merely one protection agency among others.

Organised crime in Russian can be divided into three levels – the first level being criminal groups and bands of up to 30 members, operating without any cover from state officials<sup>lxxvii</sup>, but may have links to individual law enforcement officers<sup>lxxviii</sup>. The second level consists of more disciplined organised criminal groups (OPG) up to 50 persons, but with a core of no more than 10, with more systematic links with the state, judicial and law and order officials<sup>lxxix</sup>. The third level is that of the Organised Criminal Society (OPS), with more than 50 persons and links not only to state officials of different types but also to political parties and voluntary organisations.

The emergence of the OPS and their involvement in the social or voluntary sector may be seen as reflecting the continuing weakness of the Russian state in terms of horizontal coordination. The formal system of authority has tended to focus on the vertical, ignoring the wider international trends towards governance and partnership. The vacuum left by the abolition of the Communist Party that had previously provided horizontal coordination, however imperfectly, created a niche that could be filled by OPS organisations (in for example the voluntary sector where relationships between state and NGOs have often been problematic) until they almost came to be seen as part of the normal order of things

Since 2000 there has been a tendency towards rationalisation and consolidation of criminal groups into larger more organised OPS, moving towards an institutional form that is less obviously dependent on violence than in the 1990s, and more similar to mainstream business. This consolidation has occurred from below, through market forces, but also from above, via the so-called ‘red roofs’ (*krasniye kryshi*) consisting of networks of corrupt state officials who are seen deploy criminal groups or methods. This is a similar phenomenon to what Volkov refers to as ‘*gosurdarstvenniki*’ (state people) who represent a new stage of centralisation of crime away from the regional clusters of criminal organisations that had consolidated the local networks of ‘roofs’ from the late 1990s onwards<sup>lxxx</sup>.

It is possible to conclude that whereas in the Soviet period formal and informal power (in the criminal sense) were sharply distinct categories, the weakening of the state from the late 1980s onwards led to a position where informal power effectively replaced formal power for many transactions. There followed a period (late 1990s-early 2000s) in which the formal power regained its strength whilst informal power consolidated. This led to a paradoxical situation in which informal power-holders lost their influence except those that were able to become incorporated into state structures or were formed through members of state structures mimicking the methods of the informal criminal sector.

## The Rise of OPS ‘Uralmash’

Sverdlovsk region had become known as a criminal centre from the late 1980s, the industrial and mineral wealth of the region, and its strategic location creating making the region attractive to illegal business<sup>lxxxix</sup>, and from 1994 until the end of the decade the number of crimes in the region was higher than in Moscow or St Petersburg, despite a smaller population. In the 1993 the situation was already such that the presidential envoy to the region, V.V. Mashkov made a public appeal to President Boris Yeltsin as follows:

*“It is my duty to inform you the socio-political situation in Sverdlovsk Region, which in its post-war development could serve as a model for all Russia, has reached a stage where one may categorically state that our country has begun to construct a new kind of State, never before seen in the world, controlled by organised crime”<sup>lxxxii</sup>*

Initially criminal activities were of the more traditional type – extortion, protection rackets, illegal trade. However the advent of mass privatisation, in a period when there was relatively little legal capital available for the purchase of enterprises, opened up a major new area of activity (false acquisition of assets) for the more ambitious criminal organisations, and allowed them to expand into more legitimate business and ultimately to enter politics in order to protect and expand their holdings. The phenomenon was not, of course, confined to Sverdlovsk – the St Petersburg Duma elections of 1998 saw an early example of large numbers of undisguised (or poorly disguised) criminal candidates<sup>lxxxiii</sup>.

The Uralmash criminal gang was founded in the late 1980s, taking its name from a large industrial district of Ekaterinburg (then Sverdlovsk), its members being drawn from the sports sector as well as from traditional criminal circles<sup>lxxxiv</sup>, notably the Tsiganov brothers, seen as the founder-godfathers of the group. The group first concentrated on traditional racketeering taking control of the city markets by the mid-1990s and extending into the small business and alcohol distribution sectors. The killing of Grigory Tsiganov by the Central<sup>lxxxv</sup> gang in 1991 unleashed a series of gang wars in which the Uralmash organisation, using bombs and automatic weapons and on at least one occasion a military tank, pushed the Central and Blues to the margins.<sup>lxxxvi</sup>

By the late 1990s they had expanded into less traditional sectors as such as banking and metals export. As Table 2 shows, the period from the mid-1980s to mid 2000s saw a substantial rise in the level (i.e. status) of operations, organisational development and political power of criminal gangs in the Urals. Whilst the roots of organised crime in the region may be traced far back into the Soviet period, the economic liberalisation of the early 1990s, accompanied by weak laws and law enforcement, allowed a rapid extension in their sphere of influence in the economy, which in turn provoked, among the more adaptive groups, rapid development of the gangs in institutional terms so that they acquired complex organisational and commercial structures, expanded into charitable activities, culminating in their entry into politics.

**Table 2: Stages in the development of criminal groups in the Urals region (1985-2007)<sup>lxxxvii</sup>**

<i>Stages</i>	<i>Period</i>	<i>Results</i>
Formation of primary criminal gangs	1985-1990/92*	Control over individual enterprises especially in trade and catering, then individual sectors. Establishing contacts with officials and law enforcement officers
Formation of organised criminal groups (OPG). Territorial and sectoral expansion (through gang warfare)	1992-95	Control over whole sectors, establishment of spheres of influence and consolidation of links with individual officials.
Expansion of lead OPG's influence and partial legalisation of their business	1993-1996/97	Registration of new businesses (including security firms) by OPG, beginnings of PR activity to improve OPG image, and obscure criminal activities. Consolidation of influence in the economy, high profile social/charity initiatives
Formation of Organised Crime Societies (OPS)	1996-2000	Establishment of financial holding companies and more elaborate commercial undertakings. Incorporation of wider numbers of social and political actors. Participation in elections.
Legalisation and political power for leading groups (primarily Uralmash)	2000 – 2005	Increased influence for groups of deputies representing OPS interests. Bankruptcy of many OPS businesses. Funds placed abroad or hidden in real estate foundations.
<i>Reduction on OPS influence as a result of campaigns against organised crime.</i>	2006-7	Many OPS leaders arrested or in hiding. Reduction in numbers and visibility of OPS members.

In Sverdlovsk region in the early 1990s criminal gangs could be divided into those that were ethnically Russian ('Uralmash', the 'Central' gang, the 'Blues', the 'Khim mash' and the 'Afghans'<sup>lxxxviii</sup>), and those that were based on minority ethnicities (Georgians, Chechens, Azeris, Armenians, Tadzhiks) and others. The mid-1990s saw a period of violent gang warfare in which Uralmash fought and won a

battle for supremacy firstly against the other Russian gangs in Ekaterinburg and then against the ethnic minority gangs. The battle followed a pattern that was being repeated in other large cities in Russia where, as described by Volkov<sup>lxxxix</sup>, the traditional collectivist gangs were sidelined by market-oriented 'violent entrepreneurs' of which Uralmash were an influential prototype.

Having established themselves as the leading ethnic Russian gang Uralmash engaged in conflict with the ethnic minority gangs, forcing them back into increasingly narrow niches, whilst Uralmash itself expanded out of traditional criminal sectors into energy, communications and metals trading,<sup>xc</sup> becoming a shareholder in a series of new banks dealing oil and metal exports<sup>xc<sup>i</sup></sup>. According to the security service data, by 1998 OPG Uralmash had established 200 companies, including 12 banks and were shareholders in a further 90 companies<sup>xc<sup>ii</sup></sup>. Up to 30 per cent of the organisation's profits were reinvested in production in the region and also into a growing number of social initiatives. These were geared to improving the gang's image sufficient to enable them to enter the political arena<sup>xc<sup>iii</sup> xc<sup>iv</sup></sup>, in alliance with leading regional political forces.

A widely quoted (within the region) opinion poll of 1993 found that 74 per cent of respondents believed that real power in the region belonged to a 'mafia that had bought officials', a view it found to be apparently shared by 65 per cent of officials<sup>xc<sup>v</sup></sup>. An similar question in 2003 found that as many as 82 per cent of respondents believed that real power in the region belonged to an alliance of corrupt officials and leaders of criminal gangs<sup>xc<sup>vi</sup></sup>.

The apogee of Uralmash's influence was attained in the late 1990s and early 2000s, with the escalation of the rivalry between the regional and city political elites. After 2003, in which Uralmash's role became the major election campaign theme, they suffered a loss in whatever legitimacy they had gained over the preceding years, and came under greater pressure from law enforcement agencies leading to the arrest of key figures in the period 2003-6. Just as after the abolition of gubernatorial elections from 2004 meant that regional politics would increasingly go 'underground', so from 2004 Uralmash began to adopt a much lower profile in political and business terms. A similar decline in overt criminal influence took place in neighbouring regions such as Chelyabinsk, Tyumen and Kurgan.

In retrospect it is curious why gangs such as Uralmash made the transition from being the instruments or backers of political campaigns to assuming a higher profile as politicians in their own right. The assumption was that if the public tolerated behind-the-scenes influence of criminal gangs as in the early 1990s elections, they would accept the gangsters themselves in the role of politicians. In the event, this assumption proved misplaced. Also their influence was dependent on the continuing open conflict between the two political regimes, region and city, and once this became less direct after 2003 (under pressure from the federal level) the political influence of Uralmash and its leaders appeared declined rapidly.

The picture that emerges is therefore that of a rapid rise of a new form of criminal organisation that became a prisoner of its own success – its penetration of the regional economy was on a such a scale that it sought to protect its position through a relatively high profile entry into politics. This may be seen to have overstretched the

organisation so that it was resisted by local elites, public opinion and, ultimately federal agencies. It might be possible to argue that the fortunes of the group in this case rose with regional autonomy fell as the power of the federal centre was re-asserted.

The analysis above suggests that the conventional picture of ‘criminalisation of power’ may be an exaggeration – instead it may be argued that the integration of the criminal gangs into the political system represented a stage in their own evolution away from the crude violent entrepreneurialism of the early 1990s towards becoming legal ‘amnestied’ business<sup>xcvii</sup>. According to this view one might argue that it was not so much that the state was becoming criminalized but that the criminal organizations were becoming ‘statified’, not just in terms of becoming allied to, or legitimized by the state, but in terms of carrying out quasi state functions. As one Urals politician noted:

*“Where the state and justice could not carry out functions such as guarantor creditor, defender, judge etc. These were done through the efforts of former criminal groups who have steadily evolved into business groups, which have gone ahead of the state in establishing the institutions of the market economy – banks, exchanges, export firms and so on. That’s why they have become a real force, influencing all aspects of life. Moreover they invest their capital in the Russian economy and is political transition. And they were doing this before the agencies of the state, who lacked the necessary resources”*.<sup>xcviii</sup>

Not all agreed with this assessment: *“At least one third of the current economic and political elite in our region is drawn from representatives of criminal gangs. The legalisation of their activities that took place in the late 1990s does not mean that either the leaders or their placemen have changed. The same rules, the same hierarchy, but a much wider sphere of activity. It’s now possible to name a whole series of people, who can be seen amongst politicians and senior officials, who only yesterday were up to their elbows in blood”*.<sup>xcix</sup>

In 1999 Alexander Khabarov, now the lead figure in OPS Uralmash changed the name of the organisation from Organised Crime Society Uralmash to ‘Social and Political Union’ Uralmash (the Russian acronym OPS was the same in both cases)<sup>c</sup>. This was seen as a key stage in legalisation and provided a potentially acceptable under which to be elected to the City Duma. The first of the gang to be elected was Alexander Kukovyakin in 2001<sup>ci</sup>. Other members ran for election to the Oblast Duma, and by the time the leader of OPS Uralmash, Alexander Khabarov was elected to the City Duma in April, 2002, he was one of eight Uralmash deputies who, along with five ‘inter-regional’ deputies made up an anti-mayor bloc of 14 out of 27 City Duma deputies, the first time since the abolition of the former city soviet in 1993 that the Mayor faced a majority capable of blocking all decisions. Thus a certain symmetry was obtained – a pro-Mayor majority on the Oblast Duma complicated regional decision-making, whilst a pro-regional majority in the City Duma would now oppose the city administration. The ‘pro-mayor’ group on the City Duma were not unconditional supporters of the mayor, several were regularly even routinely critical of the administration. The difference was that OPS Uralmash and the inter-regionals were opposed *on principle* to the mayor’s regime and in this respect they were working to the governor’s (or deputy governor’s) agenda.

The alliance between the Oblast elite and OPS Uralmash was an open secret. Rumours had long circulated of a pact whereby Uralmash supported Rossel in the election of 1995 onwards, and by 1999 the links had become obvious to the extent that they were a ready source of sensational copy for the federal media<sup>cii</sup>. In one press conference Rossel declared that OPS Uralmash no longer had any problems with the law (in fact several of the city Uralmash deputies were pending arrest by the security services for serious crimes, protected only by the immunity from prosecution they enjoyed as elected politicians) and that the organisation was making a genuine contribution to the regional economy – ‘I ordered them to invest in the region’s construction industry’.<sup>ciii</sup>

The behaviour of the regional media confirmed the alliance. Glowing portraits of leading OPS Uralmash members would appear in glossy region-backed journals<sup>civ</sup> and the media emphasized the charitable and economic roles exercised by OPS Uralmash. Khabarov’s election in 2002 was openly celebrated by members of the regional PR team, and there were some who appeared to look forward to Khabarov replacing Silin (the Mayor’s ally) as chair of the city дума<sup>cv</sup>. Khabarov was not, of course, just any gangster. Although his gangster identity was unmistakably reflected in his speech and manner, he differed from the traditional criminal bosses, not least by being a candidate of pedagogical sciences, but he shared the sporting background of many elite gangsters of the era, being a veteran of the Soviet Olympic skiing team. Although he had taken part in the gang wars of the early to mid-1990s, Khabarov seemed inclined towards building a stable network of criminal and legalized business. After the ‘suicide’ in Bulgaria of fellow Uralmash leader Kruk in 2000, Khabarov had been able to steer Uralmash into an agreement with its old rivals the Central group, headed by Varaksin (who had also been elected to the city дума), so that the latter controlled the hotels and restaurant sector in the city centre, leaving Uralmash to focus on business and industry. Uralmash looked set for continuing expansion in terms of both wealth and influence. In retrospect, however, Uralmash’s entry into electoral politics was a major error of judgement on the part of both Uralmash itself and the Oblast authorities. .

### **The Election Campaigns of 2003**

At the start of 2003 Eduard Rossel appeared isolated, being deeper than ever in conflict not only with Chernetsky but with the president’s representative for the Urals, Latyshev. In a climate of growing centralization the legacy of the ‘Urals Republic’, had the potential to be a political albatross, and the proud stance of a tough regional populist leader, so effective at defending one’s corner in the chaotic 1990s could have drawbacks. As one regional analyst put it:

“It seems that over 10 years of uninterrupted power E. Rossel has fallen out with the whole of the country’s political beau-monde”<sup>cvi</sup>

Paradoxically it may have been the precisely the residual aura of ‘separatism’ left from Urals Republic that enabled Rossel to have what amounted to a special status, in a way analogous to that of Mintimer Shaimiev, president of Tatarstan, and thereby to

benefit from a tendency for the Kremlin to respect those in a position to cause trouble, as long as they showed respect.

By July, with only two months to go before the gubernatorial election Rossel's unfailing ability to lobby the center had paid off. Not only did he now have the blessing of the President to run for a third term, but he would do so as the candidate from United Russia, the first governor to be elected for United Russia rather than one of its predecessor parties<sup>cvii</sup>

Now it was Chernetsky who was under pressure. With Rossel in favour once again at the federal centre, and with United Russia backing him, not Chernetsky, the mayoral election would be much more difficult than in 1999. In response Tungusov and Tushin, Chernetsky's campaign team, may be seen to have opted for a two stage approach: first to establish the theme of organized crime in the gubernatorial elections in September, 2003 and then, having established it with public opinion, to use the still-warm theme again in December, 2003 when it would be needed to defend the mayor against Osintsev's challenge, especially in the second round. The choice of Bakov to stand for governor against Rossel with a campaign theme of organized crime was a bold one. Bakov had the reputation of an adventurer, to say the very least, who had been involved in a number of scandalous incidents (notably when he had been arrested in 2001 for assaulting the oligarch Fedulev during a forced takeover of the Khimmash plant), and he had been a close associate of Rossel's during the period when the Governor and Uralmash had allegedly become allied. However these factors, plus Bakov's undeniable gift for self-publicity, may have been precisely what ensured a large audience for his public accusations, which were outspoken and dramatic even by the standards of Sverdlovsk politics<sup>cviii</sup>:

*"I kept silent, like we all did. And I thought it was normal... you learn from an early age that there is no justice and....you're not surprised when you see a police chief sharing a table with a known bandit. You're no longer surprised when an underworld 'avtoritet' is praised on television for his philanthropy or when thieves stand for election as council deputies"*<sup>cix</sup>

Perhaps the most effective part of this address was where Bakov described how federal politicians such as Seleznev<sup>cx</sup> regarded Sverdlovsk with horror as a criminalized region. This hit at the pride of local inhabitants, the self-image of Ekaterinburg being that of a highly-educated and progressive city. People could ignore the rising profile of OPS Uralmash, but the idea that the city was known for this above all else would have struck home. Bakov's bid for the governorship was of course heavily defeated – no one could compete seriously with Rossel's profile across the region. However it had almost certainly made a big impact on the real electoral battleground, Ekaterinburg.

The assumption that Osintsev would be the runner-up in the first round of the mayoral contest in December that year was correct. There were a number of other candidates, most of whom polled very few votes (OPS Uralmash's Khabarov and Serebrennikov both ran – perhaps to distract attention from their alleged alliance with Osintsev, and received very low votes). The local banker Gusev fought a well-funded campaign but lacked a clear campaign theme. Jan Gabinsky, the дума deputy, had been strongly backed by the governor's team at first, but was mercilessly lampooned not only by the

city's PR team but also (allegedly) by the Oblast administration's PR team also, under the combined pressure of which his campaign image collapsed<sup>cxv</sup>.

The first round showed Osintsev in a close second place. Chernetsky polled 34 per cent to Osintsev's 26 per cent. At this point three losing candidates Khabarov, Serebrennikov and Gabinsky, made a joint declaration (known as the 'December agreement') calling upon the population to vote for Osintsev, in what came to be seen as a '*manifesto from OPS Uralmash in favour of Osintsev, and likely to damage his rating*<sup>cxii</sup> (OPS Uralmash's own rating had collapsed under pressure from Bakov's 'anti-mafia' campaign).

The real strength in Osintsev's campaign came from elsewhere. On 10 December, the General Council of United Russia published its decision to support Osintsev, who had not previously been a member of that party.<sup>cxiii</sup> The regional branch of United Russia swung into action, accusing Chernetsky of slander for his statement that criminals supported Osintsev's candidacy. United Russia suspended all local party members who refused to support Osintsev, including дума chair Silin and members of both city and oblast dumas.<sup>cxiv</sup> Chernetsky was himself instructed on party grounds to support his opponent or face disciplinary proceedings.

Osintsev's team used the support received from the federal centre and from United Russia to full effect – deploying the slogan – “Putin for President, Rossel for Governor and Osintsev for Mayor” and ‘state power is coming to Ekaterinburg’<sup>cxv</sup> and implying that the president wanted Osintsev to win<sup>cxvi</sup>. The logic was expounded by Franz Klintsevich, who arrived in Ekaterinburg from the party headquarters in Moscow:

*“In this country serious changes are occurring. ..no one can deny that Russia is seeing a period of the strengthening of state power...Now United Russia has become an instrument of the President...in the autumn of this year we supported Eduard Rossel, who became the first governor to be elected with the support of a federal party. Now it's time to choose a mayor of Ekaterinburg and the general council has supported Yuri Osintsev. That way we will have a logical vertical of power: there is President Putin, there is Governor Rossel. Now there must be mayor Osintsev”<sup>cxvii</sup>.*

On the other side, Bakov made a public appeal, reminding voters that Khabarov and OPS Uralmash had called on them to vote for Osintsev, and predicting that if Chernetsky lost, OPS Uralmash would begin a bloody re-distribution of city property<sup>cxviii</sup> and this broadly was the line followed by the pro-mayor campaign.

The organized crime theme had undeniable resonance, particularly in the week leading up to the second round on 21 December (previously it had been slow to build up momentum, especially given the weightiness of the attacks coming from United Russia). Once public opinion had become exercised by the criminal theme, the Oblast's ability to counter this was limited – everyone had after all seen the Oblast media backing Khabarov's election to the city дума the previous year. Khabarov himself made a bizarre statement which attempted to argue that in appearing to support Osintsev he had actually been working for Chernetsky, thereby helping the latter by discrediting Osintsev who, he stated had refused to accept his support unlike,

whereas Chernetsky, who, he claimed, had <sup>cxix</sup>. This contorted statement, widely reported, suggested that the crime theme had begun to damage the Osintsev campaign, leading them to take desperate measures.

In the final days before the poll, what were termed the ‘heavy artillery’ from the federal level were deployed to support Osintsev - Boris Gryzlov the leader of United Russia, Bogomolov the secretary of the UR general council, the presidential administration head of internal policy<sup>cxx</sup> and leaders of other federal parties including Vladimir Zhirinovskiy who contributed a fiery tirade about Chernetsky’s Jewish origins (“*he is of the race that has tormented and murdered Russia*”<sup>cxvi</sup> while copies of what were said to be Chernetsky’s bank account were circulated, apparently as proof that he had transferred \$170m to a bank in Tel Aviv<sup>cxvii</sup>.

The result must have come as a surprise to the Party hierarchy: Chernetsky – 54% , Osintsev 39 % , with 7% spoilt papers. Moreover the turnout, at 51 % , had been very high by Russian standards<sup>cxviii</sup>. Headlines declaring ‘Chernetsky beats United Russia’ appeared nationally<sup>cxix</sup>, although Chernetsky was careful to deny that he had any quarrel with United Russia, of he was still a member.

The mayoral election of 2003 was one the last no-holds-barred PR-intensive elections in Russia and one of the most closely fought. The result and the high turnout suggesting either that the crime theme had reached a substantial proportion of the population, or that there had been resentment at the ‘hand of Moscow’ attempting to depose the mayor<sup>cxv</sup>, or both. It could be argued that the mayor’s campaign sensationalised the issue of organized crime and its links with the governor’s camp, but there was sufficient evidence for the public to be alarmed. When they read that, for example Khabarov and ex-OPS Uralmash colleagues Famiev and Serebrennikov had been promised the departments dealing with property, privatization and utilities reform if Osintsev should win, this might be a rumour, but it was a rumour that the experience of recent years offered no basis for doubt. Public concern was widespread over organized crime and had strengthened a civil movement ‘City without Crime’, but the elections of 2003 gave the first opportunity to voice this concern effectively.

The mayoral election raises a question mark over the ability of United Russia, or any other ‘party of power’ to act as an effective agent of centralization. The party, in this case at least, had pressed on with a strong campaign against a mayor who had a strong local following and was a key member of the regional organisation of United Russia. They had done this presumably not simply because Rossel had lobbied them to do so, but because they wanted United Russia to win elections in key regions and cities. They had backed Rossel in Sverdlovsk most likely because they realized that his position was so strong among the electorate that it would be self-defeating to back a different candidate. However they failed to see that Chernetsky was in an equally strong position with the electorate of Ekaterinburg. The problem was very likely that United Russia officials thought that it would not be possible to work with both Rossel and Chernetsky in the same party and so tried to remove Chernetsky. They had not anticipated the collision between their pro-legality, pro-vertical State message and the fact that their allies in the region had long had a reputation for collaboration with organized crime to the extent of even helping known criminals to get elected. Overall it appeared as though Governor Rossel had been able to push the party’s federal leadership towards a position that had suited him but not the party<sup>cxvi</sup>.

Finally the mayoral election of 2003, with its high turnout and unpredictable result may be taken as evidence that highly developed PR tactics need not be seen as inimical to democracy in a Russian context. A genuine debate had occurred about regional and local governance and the rule of law, albeit conducted through the medium of inflammatory language and mutual accusation.

After that election it was clear that:

1. Public opinion would no longer tolerate visible collaboration between authorities and organized crime. This partly reflected the tradition of progressive civil society that had long existed in Ekaterinburg, but also that stability and prosperity meant that people felt bolder than in the mid-1990s when they had been passive impoverished spectators of the gang wars.
2. Public opinion could not be relied on to defer to recommendations from above (i.e. from the federal centre), especially if these were seen as dismissive of their city or region. This does not mean that voters were voting against Putin – it is very likely that many of those who voted for Chernetsky in December had voted for Rossel in September and would vote for Putin the following year.
3. United Russia would need work more closely with regional and local elites (and not simply act on what an individual governor told them) if it was to maintain its own popularity in elections. People who would willingly vote for Putin as president would not necessarily vote consistently for the ‘state vertical’, in the sense of voting at all levels for whoever could be portrayed as a pro-Putin candidate.
4. That in a war of electoral attrition both city and regional elites could defend their own position indefinitely but not win on the other’s home ground. Therefore it was in the interests of both, as well as of the federal centre, to find some form of co-existence.

The election campaign threw together all three levels of government, plus the informal power of the criminal sector, in highly dramatic and concentrated fashion. It was clear that the influence of organised crime was set to be radically reduced, whilst the power of the federal centre was to increase, although it would have to use more subtle tactics, at least in this region.

### **The Fall of ex-OPS Uralmash**

The mayoral election of 2003 stalled the decade-long progress of ex- OPS Uralmash<sup>cxxvii</sup> towards acceptance as legitimate business, however defined. However the catalyst for their downfall was a dispute over centralisation within the criminal world, between Moscow and the regions.

Following the Beslan school massacre in August, 2004 a series of explosions and arson attacks against Caucasian<sup>cxxviii</sup> property and businesses took place in Ekaterinburg. On 15

September, 2004 a crowd of 1,500 gathered purportedly to protest against these actions. No Caucasians were however present. The crowd was in fact a gathering of the Uralmash, Central and Blue gangs, called to debate how to resist what was seen as an attempt the Moscow (Caucasian) underworld to infringe their territory. What was presented as a rally for inter-communal peace was in fact a show of strength against an alleged move by Caucasian organised crime groups in Moscow, operating through traditional criminal structures, represented in Ekaterinburg by the 'Blues' were seeking to establish a structure to control Sverdlovsk Oblast. The response would be a gang war by OPS Uralmash and OPS Centre to take control of the Blues in order to prevent their becoming a vehicle for takeover by Moscow. As Khabarov declared:

*«..Dark forces, including Moscow thieves-in-law want to come into our Oblast..these forces are moving like a wave across the whole country and in some regions they have given them a share, but they won't get anything in Sverdlovsk !<sup>cxxxix</sup> »*

Whether or not Khabarov and Varaksin's show of force affected their Moscow rivals, it scared the federal media, for whom the potential power of the criminal gangs had never been made so manifest. Questions were asked in the State Duma by Zhirinovskiy's LDPR party about a coming inter-regional gang war. The leadership of United Russia responded by asking the Federation Council to investigate, which led to a demand that the law and order forces in the region fulfil their responsibilities, which was accepted by Latishev, the president's representative<sup>cxxx</sup> (who said that this was already in progress).

In December, 2004, after a scandal involving the acquisition by Khabarov and Varaksin of 40 per cent of a regional bank, Bank24.ru. Khabarov was arrested for extortion, while Varaksin fled. Considerable publicity surrounded the arrest, most seeing it as proof that the authorities were now seriously combating organised crime, although some inevitably saw it as part of a struggle between criminal clans in Moscow and Sverdlovsk. Few however expected the next turn of events.

On 27 January, 2005 Khabarov was found hanged in his cell in Ekaterinburg. The death of Khabarov shocked the political elite of the region – Rossel (apparently shocked) commented "I could have expected anything but that", whilst Oblast deputy Famiev was the first to suggest Khabarov had been murdered, the implication that the killing was organised by the Moscow underworld<sup>cxxxix</sup>, although the official version remains suicide.

The combination of the bad publicity (and strong public reaction) in the election campaigns of 2003, the death of Khabarov and a new campaign against organised crime led by the Urals Federal District all amounted to a serious decline in ex-OPS Uralmash's influence. Within months its leading members were either jailed or in hiding abroad. No ex-OPS Uralmash candidates were fielded for the municipal elections of 2005 (apart from anything else, election as city deputy no longer gave immunity from arrest) and of its allies from the anti-mayoral bloc of 2002-3, only Gabinsky was re-elected.

With the decline of ex-OPS Uralmash, the influence of organised crime over politics and mainstream business and industry was very substantially reduced. The effect in

terms of street crime may have been more mixed, as the weakness of Uralmash may have created openings for others especially in areas such as narcotics that Uralmash had restricted or opposed. How far the Sverdlovsk underworld really came under the control of Moscow groups as alleged by Uralmash is difficult to assess. If crime did become centralised in this fashion it was also likely to become more specific in its scope, without the breadth of ambition that characterised Uralmash in the 1990s and early 2000s.

### **Inside the Bear's Tent**

From 2004 the leadership United Russia<sup>cxxxii</sup> began to work on building peace between Chernetsky and Rossel, presumably in the expectation that each could deliver success for United Russia in federal elections. Rossel and Chernetsky still manoeuvred against each other in the Oblast Duma and City Duma<sup>cxxxiii</sup>, although each now had a clear majority in their respective dumas.

Much more surprisingly, from 2004 Chernetsky and Rossel began to appear in public, apparently on friendly terms. Cynics held that this became especially noticeable in the run-up to elections, where now both were backing United Russia<sup>cxxxiv</sup>. There were however also major practical benefits for the city and region in their new partnership – projects such as the airport and several large territorial development projects have been completed or launched as a result of investor confidence increasing due to the end of open hostilities and start of genuine collaboration between city and oblast.

There was a brief return of anti-mayor activism in early 2007 (analogous moves were being seen to be made against city mayors elsewhere in Russia), with attempts to remove Chernetsky from the future election (due March 2008) by legal means<sup>cxxxv</sup>. With finance-related charges being drawn up against both Chernetsky and Tungusov predictions of Chernetsky's downfall began to appear once again, the implication being that large-scale business (presumably with federal links) would move in. According to one report the position was summed up by Kabanov, the head of the national anti-corruption committee, in the following terms:

*'The posts of mayor or governor are now economic posts and they cost a lot of money. There's going to a new division of property (in Russia) and your mayor's 'roof has got thin' as they say in proto-criminal circles'*<sup>cxxxvi</sup>.

It is curious how in Russia the idea has taken hold that money alone is sufficient to win elections, when the evidence (from this case, as well as many others<sup>cxxxvii</sup>) that this is not the case.

This may have been recognized by the federal leadership, which appears to have treated Rossel and Chernetsky better than many other regional leaders, perhaps on account of each having a very strong local following. In June, 2007, Vladislav Surkov, Deputy Head of the Presidential Administration, with overall responsibility for political parties and movements, began a series of individual meetings with regional heads, beginning with Eduard Rossel. With other once-powerful Yeltsin-era governors such as Prusak (Novgorod) and Titov (Samara) resigning<sup>cxxxviii</sup> for (reportedly) not preventing conflict between 'business groups' on their territory and

not delivering a sufficiently high vote for United Russia in mayoral, regional duma or federal elections<sup>cxxxix</sup>, one might have expected Rossel to be in danger, but the outcome of the discussion was that Rossel would stay in post. Chernetsky was called to see Surkov the following week. The result was confirmation that Chernetsky would be second on the regional United Russia list, after Rossel (this is indeed what subsequently occurred) and that the federal centre would support him as mayor in the March, 2008 elections<sup>cxl</sup>. For his part, Rossel arranged for the oblast duma to reduce the number of rounds in the mayoral election to one, which was reported as being a 'present' to Chernetsky, although it would presumably be more in Chernetsky's interest to keep two rounds as no known candidate would be likely to beat him on the second round, whereas if there were a large number of candidates he might not win an outright majority in one round<sup>cxli</sup>.

Whether this brings the Rossel-Chernetsky rivalry to a definitive end is not entirely clear. However it seems likely that their teams collaborated in September, 2007 in order to dispose of any threat from the second Kremlin-backed party, the Party of Justice and its populist leader in Sverdlovsk Oblast, Evgeny Royzman. Royzman, a State Duma deputy known to some as 'young Uralmash' as he fronted OPS Uralmash's anti-narcotics charity, had been vaunted as a candidate to run for mayor in 2008, using his position as a leading member of the Party of Justice as a basis for his campaign (just as Gabinsky in 2003 had hoped to use his position in the Party of Life). It had been agreed that Royzman would head the Party of Justice list for Sverdlovsk in December 2007 duma elections.

In the event an elaborate 'sting' was organized (by Tungusov, it was widely assumed) whereby the Party of Justice list ended up being headed not by Royzman but by none other than Alexander Burkov (Bakov's associate who had formerly led the 'May' movement and had figured in many political intrigues over the past decade) with the rest of the list being made up of his allies. This took Royzman and other leaders of the Party of Justice by surprise, but they were unable to alter the result, which ensured that Royzman would not have the benefit of a senior federal party position to support his candidacy for mayor (a similar ruse had been played on Gabinsky by Bakov in 2003).

In the meantime President Putin had declared that he was backing United Russia, thereby making this the definitive Kremlin party, and leaving the other pro-Putin party, the Party of Justice, effectively marginalized. This led to a further twist whereby the obliging Burkov announced that he would be prepared to join United Russia after all, and to persuade his colleagues on the Party of Justice list to do the same, thereby engineering the closing down of the Party of Justice list in Sverdlovsk Oblast. This would give a boost to the percentage of votes for United Russia in the Oblast. This was reportedly welcomed by Rossel's chief of staff and acting head of United Russia in the region, Alexander Levin, who praised the idea and in exchange (reportedly) offered Burkov the full support of the Governor if he were to run for Mayor of Ekaterinburg in March, 2008<sup>cxlii</sup>.

However this scenario, very much in the Byzantine traditions of the region, seems unlikely to materialize. In October Chernetsky and Rossel were present at Putin's birthday celebrations in Moscow, and the opportunity was taken also to celebrate Rossel's 70<sup>th</sup> birthday, with Chernetsky presenting his former foe with a valuable

malachite and bronze symbol of Sverdlovsk Oblast. It is difficult to see how it would be in the interest of any of the three levels of government to re-open hostilities.

## **Conclusion**

What can be concluded from this review of seventeen years' in the political life of Sverdlovsk and the city of Ekaterinburg? In terms of the questions posed at the beginning of this paper, the answers that may be derived from the narrative are as follows.

Why was the conflict so sustained compared to other regions, i.e. why did neither side give in? There are several answers using a four-dimensional framework<sup>cxliii</sup>

### **a) Structural.**

Ekaterinburg was a striking example of the trend whereby monocentric regions are more disposed to conflict, with not just a high proportion of the region's population concentrated in the city, but a much higher percentage of business and service (an estimated 80 per cent of regional retail sales) for example. This gave a very solid base for a mayor to reject subordination to a governor. It has been shown by Kathryn Stoner-Weiss<sup>cxliv</sup> that the more concentrated the economy the more likely that region and sub-regional levels will co-operate. We would not support her corollary, that regions where all levels are in agreement perform better – during the period 2001-3 Ekaterinburg grew in commercial terms faster than any other city in Russia, and received federal awards for this, despite having highly adversarial relations between levels. Stoner-Weiss's findings may apply for the industrial economy of cities but not services. Thus the very wide range of sectors in Ekaterinburg's industrial economy supports the view that less concentration may mean more potential for conflict. With services it may be the reverse – if service development is concentrated in one city, and if that sector is growing rapidly, then this can provide the basis for a long-running city-region conflict.

### **b) Institutional**

The narrative shows Ekaterinburg to have a strong institutional culture in which elements that may be present in other Russian regions are developed to a higher degree. There were similarities in the structure and styles of operation of both the governor and the mayor, with a passing resemblance to the regime of Boris Yeltsin (prior to 1994 – unlike Yeltsin neither Chernetsky or Rossel had any obvious weaknesses nor were there any period when they were not clearly in control of the situation). There are common elements – the sense of a war footing – with certain relationships and practices fixed with a high degree of certainty so that a very high level of uncertainty and unpredictability in the institutional environment can be dealt with. The role of a highly stable and loyal the political/OR team was essential to the survival of both sides, whilst the administrative team was subject to changes, sometimes according to political rather than administrative imperatives.

### **c) Psychological**

The competitiveness and uncertainty of the political/institutional culture almost certainly have a selective effect on the type of person capable of leading in those conditions over a long period, and the nature of those responsible for the political teams waging the PR war. It is hard to believe that many other regions had persons combining the deviousness and professionalism of those responsible for these functions in Sverdlovsk. The psychological character of the region plays a part here – Sverdlovsk had its moment of glory during the five-year plans and during the Second World War when industry including much high technological production were moved there. This has given it a combination of psychological self-sufficiency combined with resentment at any attempt by the capital city to pull rank. The two leaders also came from atypical backgrounds for party bosses (Rossel a German, Chernetsky a Jew) but had excelled in the ‘hard school’ of party industrial management, far from the institutes from which the generations of ‘young reformers’ graduated. The progressive mayors of 1990 were usually not re-elected whilst their conservative equivalents often never faced a challenge. Rossel and Chernetsky combined the strengths of the industrial nomenklatura with a more open intellectual approach, leading one towards the ideal Urals republic and the other towards the idea of an outward-looking post-industrial business capital in the former closed factory-city.

### **d) Ideational**

The view of Matsuzato cited at the beginning of this paper that Chernetsky and Rossel were interchangeable falls down when one approaches their conflict from the point of view of ideas. Rossel has never seemed able to move on from the Gosplan/Gaullist ideal of an industrial region, with sectors being backed and supported by the state. Chernetsky on the other hand may have been a heavy industrial manager by origin but over the more than a decade in office became the main proponent of the idea of the autonomous city as an engine of growth and civil society development, so that a city built as a factor could evolve into something closer to the European urban ideal. This informed the strategy at a time when it was still possible to see documents whose authors felt it necessary to justify funding the health service on the basis that it helped workers to increase production. There were many advocates of European-style self-government in Russia in the 1990s and many were elected once but Chernetsky was almost the only case where a mayor who believed in local self-government of cities had the quite different capacity necessary to stay in control of one for more than one mandate.

### **The incomplete Leviathan: Hobbes and Russia**

The remaining questions – concerning organised crime and the issue of Locke versus Hobbes in Russia - are linked in this case and can be answered together. Firstly we may note the ways in which the development of the organised crime sector shadowed developments in the formal political sector, how the chaos of the 1990s gradually stabilised around a new set of principles, but how the problem of levels of authority continued to be an issue even when territories had ceased to be a cause of conflict. Secondly we can see an overall trend whereby as the state became more stable and more powerful so the criminal sector began to change and seek to legitimise itself. The story of Uralmash suggests that although the region’s

apparent flirtation with organised crime brought a real danger of criminalisation of the state, there was if anything a stronger trend whereby organised crime sought to become like a state or even to be submerged in the state in order to survive. Thirdly, and more importantly we can see that Shlapentokh's view of Hobbes as the state that enters the stage to end the anarchy of the war of all against all that follows in the wake of the collapse of the Lockean dream of civil society does not quite fit the facts of what occurred in Sverdlovsk Oblast. It was not the federal state that prevented organised crime from continuing its advance in Ekaterinburg, it was the citizens in response to an appeal by the city leadership. The mayor's election victory of 2003 was in effect a referendum on organised crime and the city's autonomy. The result weakened organised crime in the city and prepared the ground for the federal agencies to take action, as occurred the following year. Had the mayor and the city elite given way and become subordinate, organised crime, albeit in an increasingly 'statified' form, would have survived and it is hard to see how the federal level could have dealt with it without overturning the whole regional structure of power. The 2003 election isolated OPS Uralmash and rendered them identifiable and vulnerable. In a large country, especially with a regional level, Leviathan cannot actually prevent the state of war continuing without the pluralist checks and balances provides by other levels closer to the ground.

The notion that an opposition between Locke and Hobbes may be used to explain what has occurred in Russia over the last two decades appears at first to fit the narrative. Firstly Locke's assumption that the default 'state of nature' was peaceful as a rule did not deny the need for a state for protection (nor did he believe that government emerged from below (as government pre-dated records) <sup>cxlv</sup> . Locke's concern is not with marginalising state power but emphasising its legal (and therefore limited) character. However his advocacy of institutional checks and balances implies an acceptance that laws of themselves cannot guarantee good governance – and it was perhaps this aspect of Locke that has been insufficiently appreciated in Russia since 1990. The operation of checks and balances imply conflict, or at least the potential for conflict. Here we may recall Hobbes' broad definition of the state of war:

*For war consisteth not in battle only, or the act of fighting; but in the tract of time, wherein the will to contend battle is sufficiently known* <sup>cxlvi</sup> .

This potential for 'battle' could be taken to be the basis for the operation of checks and balances – without a 'potential for battle', no system of scrutiny or oversight is likely to achieve much. Without a mechanism of open political competition within the elite neither the concentration of state power nor the elaboration of the legislative base are sufficient to prevent corruption and state weakness 'on the ground'. Central power may be unchallenged, but this does not mean it can project itself throughout the system. Therefore the opposition between centralisation (Hobbes) or civil society (Locke) is a false one – both require a multi-layered system of checks and balances to be effective, and competitive electoral democracy provides the best basis for this. Rivalries like that between Chernetsky and Rossel can be in the public interest, as the election of 2003 and the reaction against organised crime demonstrated.

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## Notes

- <sup>i</sup> Y.Kasimov 'The Calf, he walks a-shaking' <http://overseas.narod.ru/LiteratureClub/GoBullEng.html>
- <sup>ii</sup> Vladisav Surkov Speech to the Academy of Sciences. 'Russkaya politicheskaya kultura. Vzglyad iz utopii'. [http://russ.ru/politics/docs/russkaya\\_politicheskaya\\_kul\\_tura\\_vzglyad\\_iz\\_utopii](http://russ.ru/politics/docs/russkaya_politicheskaya_kul_tura_vzglyad_iz_utopii), Russian Journal, September, 2007.
- <sup>iii</sup> See D. Slider 'Governors versus Mayors, the Regional Dimension of Russian Local Government, in A.Evans and V.Gel'man eds. 'The Politics of Local Government in Russia', Boulder, Rowman and Littlefield, 2004. pp145-168.
- <sup>iv</sup> K.Matsuzato 'Regional Politics and Municipal Building' in A.Evans and V.Gel'man (eds. 'The Politics of Local Government in Russia', Boulder, Rowman and Littlefield, 2004. pp 169-202.
- <sup>v</sup> V.Ivanov, 'Putin I Regiony: Tsentralizatsiya Rossii', Moscow Evropa, 2006.
- <sup>vi</sup> J.Devlin 'The Rise of the Russian Democrats: The Causes and Consequences of the Elite Revolution', Aldershot, Edward Elgar, 1995.
- <sup>vii</sup> V.Shlapentokh 'Hobbes and Locke at Odds in Putin's Russia', Europe-Asia Studies, 55:7, November, 2003, pp 981-1008.
- <sup>viii</sup> Although Locke would regard the absolute power of the Soviet state as amounting to a state of nature, at least for the ruling elite – this is made clear in his reference to the Czar of Russia in para 91 of the 'The Second Treatise of Government', Oxford, Blackwell, 1946. p.46.
- <sup>ix</sup> Locke op.cit paras 16-19, pages 10-11.
- <sup>x</sup> See F.Fukuyama, *State Building*, Cornell University Press, 2004.
- <sup>xi</sup> T.Hobbes, 'Leviathan', London, Collins, 1962: 145.
- <sup>xii</sup> The project was funded by DFID and entitled RACE (Russia – advice to the city of Ekaterinburg). The focus of the project was not only the creation of a new type of socially-oriented strategy, but the establishment of a large-scale participative partnership structure for decision-making in relation to the strategy. See note 39.
- <sup>xiii</sup> See A.Campbell 'City Government in Russia', in J. Gibson and P. Hanson *Transformation from Below*, Cheltenham, Edward Elgar, 1996 pp37-56.
- <sup>xiv</sup> R.Brunet 'La Russie: Dictionnaire Geographique, CNRD-Libergeo – La Documentation Francaise, 2001. pp 349-358.
- <sup>xv</sup> See A.D. Kirillov and N.N. Popov (eds.) 'Ural: Vek Dvadtsatiy: Lyudi, sobytiya, zhizn', GIPP 'Uralskiy Rabochiy', Ekaterinburg, 2000. pp 207-273 and A.D.Kirillov et al. 'Ural Politicheskii, Istoriya I sovremennost'. Partii, vybori, deputati'. FGUIPP, 'Uralskiy Rabochiy', Ekaterinburg, 1999.
- <sup>xvi</sup> For personal background of all leading figures at each level of power in the region, and a summary of legal and procedural responsibilities of each, see E.S.Tulisov and S.G. Tushin 'Vlast' v Regione na Poroge Tisyachiletiya: Uralskiy Federal'ny Okrug, Sverdlovskaya Oblast, Gorod Ekaterinburg', Akademkniga, Ekaterinburg, 2002.
- <sup>xvii</sup> Interview with Alexander Matrosov, Sverdlovsk Regional Administration. August, 1993. See also Matrosov's article on the Urals Republic, *Izvestiya*, 10 July 1993.

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<sup>xviii</sup> In speech to Kursk veterans, July 1993, Rossel spoke of a Urals Region of 20m, very similar to the Urals Federal District created in 2000/1. The smaller boundaries post 1993 were referred to as having been a means whereby the Central Committee could practice 'divide and rule'.

<sup>xix</sup> A.G.Granberg and V.V. Kistanov (eds) *Gosudarsvenno-territorial'noye Ustroistvo Rossii*, Moscow, DeKA, 2003. Granberg and his team welcomed the establishment of the seven federal districts, which they declared to have been based on their own project submitted to the presidential administration in 1999.

<sup>xx</sup> A.D. Kirillov, *Ural: ot Yelstina do Yeltsina*. Urals University Press, 2006. 286-8.

<sup>xxi</sup> See his press secretary's memoir of the run-up to the election: A. Levin 'Kak stat' gubernatorom v sovremennoi Rossii', Ekaterinburg, 1995.

<sup>xxii</sup> Conversation with Alexander Bochko, Academy of Sciences, former Party official, Ekaterinburg, March, 2003.

<sup>xxiii</sup> Ural: politika, ekonomika, pravo *Analyticheskiy Obzor*. No. 2 (11) February-March, 1995. pp 12-13. However, Shakhrai, before his resignation in April 1995, was active in establishing the party Our Home is Russia, of which Strakhov was the candidate in the election in July 1995.

<sup>xxiv</sup> In a conversation at the victory celebration he declared: 'Yes, I'm going to do what I wanted to do in 1993 and nothing is going to stop me now'.

<sup>xxv</sup> Edward Rossel, speech at election victory celebration, August, 1993.

<sup>xxvi</sup> Ural: politika, ekonomika, provo. *Alatyicheskiy Obzor* No 6 (15) October-November, 1995. p. 32-5.

<sup>xxvii</sup> Interview with Sergei Plakhotin, August, 1995.

<sup>xxviii</sup> In an interview with the authors in August, 1993 Anton Bakov said that Moscow should be careful to avoid monopolising the country's wealth if it did not wish to meet the same fate as Novgorod under Ivan the Terrible. The theme of Urals autonomy and resentment against a marauding Moscow was the theme of Bakov's 1995 book 'Middle Earth'.

<sup>xxix</sup> Conversation with A. Chernetsky, March, 2001.

<sup>xxx</sup> Interview with S.Plakhotin, August, 1995.

<sup>xxxi</sup> Interview with Deputy Speaker of Ekaterinburg City Council, V.Semin, September, 1995.

<sup>xxxii</sup> S.Tushin and O.Maslennikov in E.Tulisov (ed.) *Ekaterinburg: glavy gorodskogo samoupravleniya 1723-2003*, Ekaterinburg, Y-Factoriya, 2003.

<sup>xxxiii</sup> Interview with Dr Viktor Rudenko, Institute of Philosophy, September, 2005.

<sup>xxxiv</sup> Yakov Silin, an ethnic German was extremely diplomatic in style and manner, which was extremely effective in managing the elected duma deputies who were (as a rule) quick to take offence. This style complemented Chernetsky's more pugnacious approach, although once the opposition won a majority in the Duma relations between Chernetsky and Silin became strained as Silin was obliged to take deputies concerns seriously. However, Silin's diplomatic approach paid off in (for example) the vote for the Strategic Plan in June, 2003, once of the most difficult and politically dangerous debates of the session. Silin was loyal to Chernetsky despite occasional disagreements and continued to support Chernetsky in the 2003 mayoral election even when instructed by United Russia to support Osintsev or be expelled from the Party.

<sup>xxxv</sup> E.Loskutova, Biography of Anton Bakov, <http://www.anticompromat.ru/bakov/bakbio.html>. The creation of May anticipated the movements launched under the coordination of Surkov (deputy head of the presidential administration) and Anton Bakov in 2004-5.

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<sup>xxxvi</sup> See S.Kuznetsov ‘Dviuzheniye “Mai” – rostki grazhdanskogo obschestva ili zachatki ekstremizma?’ for a discussion of the extremism/civil society dichotomy of ‘May’, <http://xxx.svoboda.ural.ru/ch/ch19990522.html>

<sup>xxxvii</sup> According to media reports, ‘May’ had no genuine activists but consisted entirely of workers from the Serov metallurgical plant (a factory in the town of Serov in the north of Sverdlovsk Oblast, that had been given to Bakov during the mid-1990s when he was allied with Rossel). For each attendance at a May rally the workers were given 1-200 ‘Urals Franks’ to spend in the company shop. The same hired activists supported Bakov in a mass attack on the Khimmash chemical plant which ended with Bakov forcibly expelling the previous owner, the oligarch Fedulev (admittedly a highly compromised figure in his own right), from the premises. The May movement transformed the political fortunes of Bakov’s associate Burkov, who went from winning 1% in previous elections to winning 28% against Rossel in the 1999 Gubernatorial contest. Although Rossel won easily with 78%, Burkov had succeeded in joining the political elite and went on win seats at regional and national levels. See *Kommersant Den’gi* 16 (471) 26 April, 2004.

<sup>xxxviii</sup> Chenetsky was to lobby consistently for an expansion for the fiscal base of local self-government, for which he made a strong case in front of President Putin at the 2003 annual conference of the Congress of Municipalities.

<sup>xxxix</sup> See S.Kondratiev ‘The Urals Federal Okrug’ in P.Reddaway and R.Orttung (eds.) *The Dynamics of Russian Politics: Putin’s Reform of Federal-Regional Relations*. Vol. 1, 2004. pp 196-9.

<sup>xl</sup> It would be more accurate to say one of the candidates. Rossel had difficulty in choosing one candidate to oppose Chernetsky, both in 1999 and 2003. Several were backed, with the final choice being made on the eve of the election. For much of the run-up to the election of 2003 Rossel’s team had been backing a different candidate, Gabinsky, seeing Osinstev more as a stalking horse to trip up and destabilise the Mayor’s position.

<sup>xli</sup> The city administration denied the charges, which were never, to our knowledge, proven.

<sup>xlii</sup> The limitations on the ability of parties of power to secure their desired outcome in elections is discussed by A. Konitzer in ‘Voting for Russia’s Governors’, Woodrow Wilson Centre Press, 2005. A series of defeats by United Russia gubernatorial candidates in the early 2000s was seen as encouraging a move to use legal methods of disqualification instead and, ultimately to abolish elections for regional heads altogether.

<sup>xliii</sup> In Russian governance, whether at federal, regional or municipal level, the Economy department has lead responsibility for overall development strategy, a legacy of the Soviet state planning hierarchy of Gosplan. After the fall of the Soviet Union, Gosplan became the Ministry of Economy of the Russian Federation (the Ministry of Economy of Ukraine and several other former soviet republics follows a similar logic). Departments of Economy at municipal level are not hierarchically subordinate to the Ministry of Economy, but are required to collect and submit statistics.

<sup>xliv</sup> Some within the city hold the view that the federal projects presided over potential successor to Putin, Dmitri Medvedev (with whom the city’s strategists had met in 2003), on which part of the federal budget’s oil-generated surplus is being spent, took their inspiration from the Ekaterinburg City Strategy, which placed an emphasis on Education, Health and Housing as strategic areas of improvement in a way that was uncharacteristic of Russian policy in the early 2000s – interview with senior economic manager, Ekaterinburg City Administration. June, 2007.

<sup>xlv</sup> Russia-Advice to the City of Ekaterinburg (RACE), DFID (UK Department for International Development, which ran from 2000 to 2003 and was co-ordinated by the authors of this contribution. Elena Denezhkina was project manager and a member of the Co-ordinating Council and of the Board of the Programme Council for the Ekaterinburg Strategic Partnership. Adrian Campbell was project director. See the city strategy web-site <http://www.strategy-burg.ru/>, also ‘The Ekaterinburg City

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Strategy'. Interview with Adrian Campbell in 'Stolitsa Urala', Issue 3, July, 2003 (in Russian) and Russian national radio interview with Adrian Campbell, Ekho Moskvyy, April, 2003 (in Russian).

<sup>xlvi</sup> See article by Igor Saveliev 'Ekaterinburg Obraz Goroda XXI veka', <http://www.arm-group.ru/rus/talks/articles/citydev/yekaterinburganimageforxxicentury/>

<sup>xlvii</sup> G.A. Kovalyeva 'Rational'noye razmeshcheniye proizvodstvennykh kul – fundamental'naya osnova perspektivnogo pazvitiys goroda Ekaterinburga', papoer presente at Russian Cities on the threshold of the twenty-first century, theory and practice of strategic management, 31 October – 1 November, 2000, Ekaterinburg.

<sup>xlviii</sup> Observed by authors at conference, 'Russian Cities on the Threshold of the XXI century, Ekaterinburg, November, 2000.

<sup>xlix</sup> This pattern of network migration is not uncommon in Russian organisations. If a leading figure joins a different organisation, the persons who had enjoyed the patronage of that figure in the first organisation will frequently then move across to the second. In this case the pattern was not followed observed entirely. After Maslakov followed Osintsev to the region, it was assumed that their protégé Alexander Vysokinsky, who replaced Maslakov as head of the city economic department, but in the event Vysokinsky stayed and took over the running of the strategy, under the direction of the Mayor and 1<sup>st</sup> Deputy.

<sup>l</sup> Convesations with city official, Ekaterinurg, October, 2001.

<sup>li</sup> This is not of course an isolated case. As an external element inserted into a complex organisational/political environment, a donor projects may become a lightning conductor for underlying conflicts within that system.

<sup>lii</sup> In a meeting in June 2001, for example Maslakov publicly declared that no agreement existed between the bi-lateral project and the city administration. Only when a copy of an agreement from February, 2001 with Maslakov's own signature was produced (and of which all other copies in the administration building disappeared) was this challenge dropped.

<sup>liii</sup> Boris Zhikharevich of the Leontiev Centre in St Petersburg, and Artashes Gazaryan, of the Local Government Centre in Klaipeda, among others.

<sup>liv</sup> Dr Alexander Bochko of the Academy of Sciences and Professor Animitsa of the Urals Economic University.

<sup>lv</sup> See structure of Ekaterinburg strategic partnership (programme council) on on <http://www.strategy-burg.ru/index.php?page=authors>

<sup>lvi</sup> *Strategicheskiy Plan Ekaterinburga*, Ekaterinburg Municipal Formation and Programme Council of Strategic Development of Ekaterinburg. Ekaterinburg, 2003.

<sup>lvii</sup> Although conflict and rivalry between city and region had been a constant feature of the political and administrative context in Ekaterinburg this does not preclude cooperation – active animosity tends to be confined the elected heads (Governor and Mayor) and their respective political/PR teams. The administrative teams – regional government (in the sense of a group of functional ministries presided over by a Chair or premier) and the city departments led by deputy mayors and 1<sup>st</sup> deputy mayors could and did cooperate to a degree. Thus it was possible to involve the premier of the regional government to take part in the board of the programme council, but understood that the governor would not take part. Equally, the 1<sup>st</sup> Deputy Mayor of Ekaterinburg would routinely take part in meetings of the economic council set up by the governor, whereas it would have been difficult for the mayor to attend such a meeting. Thus there was a working distinction between political and administrative spheres, although as elections approached the distinction became more difficult to maintain.

<sup>lviii</sup> According to the same logic, the city was able to collaborate with the Oblast Government on topics where the Governor was not directly involved.

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<sup>lix</sup> Although the region's hostility to the city strategy became increasingly evident as the strategy developed, it is not clear how far direct confrontation over the strategy, as described in this paper, was an explicit aim of the political/PR team in the Governor's residence, or whether it was more the initiative of a different PR team, working directly for Yuri Osintsev as regional foreign affairs minister and mayoral candidate. Anecdotal evidence suggested that there were very distinct teams working in political/PR tactics at the regional level and that there was less than full agreement about Osintsev's campaign.

<sup>lx</sup> 'Ekaterinburg or Birmingham' by Nikolai Eichler, <http://www.politsovet.ru/analytic.asp?article=1260> 27 November, 2002. Note : this pro-Osintsev article appeared on a web-site controlled by Anton Bakov who was to lead Chernetsky's campaign against Osintsev the following year. Clearly in 2002 Bakov was not yet fully allied to the mayor's team.

<sup>lxi</sup> Conversation with city officials, June, 2007. The strategy had been presented widely, especially through the urban strategy network established by Boris Zhikharevich at the Leontiev Centre in St Petersburg, and had been brought to Medvedev's attention in 2003-4. The participatory structure of the strategy co-ordination council and the partnership principle embodied by the programme council, as well; as the arrangements for cooperation between stakeholders, experts and line managers were also highly innovative in a Russian context.

<sup>lxii</sup> Ministry of Foreign Affairs of Sverdlovsk Region, '*Analytical conclusions on the draft strategic plan of Ekaterinburg up to 2015' prepared by the Deputy Chair of the Oblast Government and delivered to the City Duma of Ekaterinburg on 23 April, 2003*'.

<sup>lxiii</sup> Conversation with Ekaterinburg city officials, and with the Inter-regional Deputies's Faction (in April, 2003).

<sup>lxiv</sup> Curiously the boycott was not initially declared such by its organisers. At the meeting the Duma Chair, Yacov Silin had been obliged to read out a list of excuses from those who were absent. Most memorably, a group of the OPS Uralmash deputies said they could not attend as they were celebrating their leader Khabarov's birthday. These excuses were not sent beforehand as this would have removed the element of surprise, which was considerable.

<sup>lxv</sup> A. Campbell and E. Denezhkina, '*Comments on the 'Analytical conclusions on the draft strategic plan of Ekaterinburg up to 2015' prepared by the Deputy Chair of the Oblast Government and delivered to the City Duma of Ekaterinburg on 23 April, 2003*' 15 pages. Sent to Regional Administration 28 April, 2003. Published on (city) API news web-site (in Russian). 26 May, 2003 under the heading: '*Britansky experty rekomenduyut Ekaterinburgskoi gordumye prinyat strategichesky plan goroda, nesmotrya na vozrazheniya Yuriya Osintseva.* [http://www.apiural.ru/politic/?news\\_id=9271](http://www.apiural.ru/politic/?news_id=9271)

<sup>lxvi</sup> e.g. Director proiekta RACE obvinyayet nekotopykh deputatov Ekaterinburgskikh deputativ vo lzhi, [http://www.apiural.ru/politic/?news\\_id=8605](http://www.apiural.ru/politic/?news_id=8605) 7.05.03. Ekaterinburg. Deputaty gordumy pozhaluyutsya na 'khamskiye deistviya Britanskikh uchenykh. <http://www.regions.ru/news/1101157/> 12.05.03. 'Strategicheskaya Feeriya: rossisskaya deistvitel'nost' v zerkale skandala', Revizor No. 5 May-June, 2003.

<sup>lxviii</sup> 'Britantsi ugodili v omutye Uralskoi PR' – Uralpolit.ru.,15 May, 2003 now accessible via [http://www.allrussia.ru/nowadays/default.asp?NS\\_ID=%7BF62824DC-F76E-4C8E-B1E1-FBB81BB28267%7D&HN\\_ID=2](http://www.allrussia.ru/nowadays/default.asp?NS_ID=%7BF62824DC-F76E-4C8E-B1E1-FBB81BB28267%7D&HN_ID=2)

<sup>lxix</sup> Conversation with pro-oblast journalists in May, 2003.

<sup>lxx</sup> Vtoroi front protiv Gabinskogo, Politsoviet.ru/analytic.asp.article=5156, 19.09.03

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<sup>lxxi</sup> [http://www.egd.ru/index.php?menu\\_id=16041&show\\_id=8858](http://www.egd.ru/index.php?menu_id=16041&show_id=8858). The strategic plan itself was seen by some as the precursor for the Russian Federation's national projects, see <http://www.pnp-ekb.ru/>.

<sup>lxxii</sup> Meeting with Arkady Chernetsky and city officials, June, 2007.

<sup>lxxiii</sup> Vadim Volkov 'Violent Entrepreneurs: the use of force in the making of Russian capitalism', Cornell University Press. 55.

<sup>lxxiv</sup> 'On the results of research into detected groups and the observed forms of organised crime in the Uzbek SSR'. Central Committee of the Communist Party of Uzbekistan, 1985.

<sup>lxxv</sup> V.Volkov'Violent Entrepreneurs:the use of force in the making of Russian Capitalism, ITHACA, Cornell University Press, 2002. pp 54-63.

<sup>lxxvi</sup> Volkov considers that Russia in the 1990s was close to the Hobbesian 'state of nature', with the state reduced to no more than one of a range of protection institutions. Whilst this may be an exaggeration, our research in the mid-1990s in Nizhny Novgorod and Ekaterinburg found evidence of the inter-linked network of *krishi* ('roofs') who provided protection services, disputes between whom were increasingly subject to a form of justice provided by *avtoriteti* at the next level up. This network was seen by respondent as more coherent and more reliable than the state system at the time.

<sup>lxxvii</sup> Mafia v Ekaterinburge, V.b. Zhitenev, Institute of Social Research and Techniques. Ekaterinburg, 1993.

<sup>lxxviii</sup> Most groups of this type have a limited territorial or sectoral focus, but others operate on an inter-regional or international level.

<sup>lxxix</sup> I.e. providing a level cover or 'roof' for illegal activity.

<sup>lxxx</sup> Volkov op.cit. 191.

<sup>lxxxi</sup> According to the local press those released from the elite prisons in the vicinity tend to stay in Ekaterinburg.

<sup>lxxxii</sup> Letter to B.N.Yeltsin from the President's Representative for Sverdlovsk Region, V.V.Mashkov, 13 January, 1993.

<sup>lxxxiii</sup> One may hypothesize regarding a possible correlation between urban centres being economically strong, having liberal electorates and the emergence of strong criminal organisations. The explanation would be that progressive electorates tended to be concentrated in the more developed urban centres. These more affluent and liberal centres saw the sharpest falling away of the soviet-era ruling elite from the late 1980s onwards, and especially after the elections of 1990. The reformist ideology held that speed of reform was of the essence and that state enforcement was not, and that organised crime was either an ephemeral by-product of transition or even a necessary stage in the 'primitive accumulation of capital'. In more traditional regions the maintenance of old elite networks may have meant that organised crime was kept within tighter bounds and was not able to expand into politics.

<sup>lxxxiv</sup> The brothers Grigory and Konstanin Tsiganov

<sup>lxxxv</sup> The central gang, led by Oleg Vagin and (after Vagin's demise,) Varaksin were based in the city centre around the service sector, unlike Uralmash who were based in the industrial suburbs.

<sup>lxxxvi</sup> The term 'blues' refers to the practice of extensive body-tattooing among long term inmates in Soviet and Russian penal colonies. These traditional criminals have little in common with, and have been hostile to, the new wave of businesslike criminals of the Uralmash type (Volkov's Violent Entrepreneurs)..

<sup>lxxxvii</sup> Table 2 is based on the analysis of many local and national press reports over the period concerned, as well as interviews.

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<sup>lxxxviii</sup> In some cases associations and voluntary groups concerned with those who had served in the war in Afghanistan became organised crime groups.

<sup>lxxxix</sup> Volkov, op.cit,

<sup>xc</sup> *Oblastnaya Gazeta*, 17.10.1993.

<sup>xc<sup>i</sup></sup> Zhitenev, op.cit.

<sup>xc<sup>ii</sup></sup> The main spheres of influence of this group were in copper-related holdings e.g. 'Evropa', petrochemicals 'Uralnefteproduct', mobile services ('Uralvestcom'), car sales, breweries

<sup>xc<sup>iii</sup></sup> *Expert*, 15.04.2002.

<sup>xc<sup>iv</sup></sup> The name OPS (Organised Crime Society) became known in 1993 following the arrest of Konstantin Tsiganov, its then leader. The arrest caused a reaction in the business community. The head of the broker firm 'Eurasia', Andrei Panpurin referred to OPS Uralmash as being not a criminal group but a 'financial group' with a speciality in socially-oriented activities, and referred to their 'civilised and democratic' style of operation., that businesses were not squeezed by them but that so that Konstantin Tsiganov was a 'stabilising factor' for the enterprises that came into contact with him, and that he upheld a balance of power within the city that could be upset following his arrest. Tsiganov was released and the group continued its operations but in a more discreet fashion. Panpurin, it later turned out was in fact one of the leading members of OPS Uralmash.

<sup>xc<sup>v</sup></sup> Ibid

<sup>xc<sup>vi</sup></sup> *Uralsky Rabochiy*, November 2006.

<sup>xc<sup>vii</sup></sup> *Oblastnaya Gazeta* 28.05.04.

<sup>xc<sup>viii</sup></sup> Interview with local politician, Ekaterinburg,, 2003.

<sup>xc<sup>ix</sup></sup> Interview with member of city дума, 2003.

<sup>c</sup> *Uralsky Rabochy* 28.12.1999.

<sup>c<sup>i</sup></sup> See Vesti.ru 12.11.99 'Chisto ural'skiye umel'tsi',

<sup>c<sup>iii</sup></sup> *Nezavisimaya Gazeta*, 11 June, 1999.

<sup>c<sup>iv</sup></sup> See, for example, the profile of Kukovyakin in *Revizor* No. 6 June-July, 2003.

<sup>c<sup>v</sup></sup> Conversations with regional officials, 2002. In the end it was not Khabarov who replaced Silin, but Porunov, the mayor's ally who had previously been chair of the Oblast Duma, who replaced Silin following a cooling of relations between Silin and Chernetsky

<sup>c<sup>vi</sup></sup> *Region Ekspert*, February, 2003: 11.

<sup>c<sup>vii</sup></sup> *Nezavisimaya Gazeta* 10 July.

<sup>c<sup>viii</sup></sup> Some considered Bakov to be not only a 'scandalously known businessman' but also 'rumoured to be close to criminal groups'.

<sup>c<sup>ix</sup></sup> Anton Bakov 'Ne mogu Molchat''. <http://www.bakov.ru/nemogu.shtml>

<sup>c<sup>x</sup></sup> Gennady Seleznev, then speaker of the State Duma, with whom Bakov was on good terms, as he was also with Surkov, in the Presidential Administration.

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<sup>cxix</sup> A video tape was broadcast, showing Gabinsky in the city дума apparently asking OPS Uralmash Kukovyakin for financial support for his campaign, without realising the microphone was switched on. The end to his campaign was reportedly brought about by Anton Bakov using federal connection to have his rating in the Party of Life lowered, therefore undermining his campaign stance of being a substantial political figure.

<sup>cxii</sup> *Uralsky rabochy* 11 December 2003.

<sup>cxiii</sup> *Oblastnaya Gazeta* 16 December 2003.

<sup>cxiv</sup> *Kommersant,m* 19 December, 2003.

<sup>cxv</sup> Ekaterinburg – na smenu., *Narodnaya Volya no 25 (72)* 13 December, 2003. Yuri Osintsev: Razgovor po Cuschesvu. (manifesto).

<sup>cxvi</sup> *Oblastnaya Gazeta*, 9 December, 2003.

<sup>cxvii</sup> *Oblastnaya Gazeta* 16 December, 2003.

<sup>cxviii</sup> *Vecherny Ekaterinburg*, 15 December, 2003.

<sup>cxix</sup> *Kommersant* 18 December, 2003.

<sup>cxx</sup> *Ekaterinburgskaya Nedelya* 52(512) 25 December, 2003.

<sup>cxxi</sup> *Nezavisimaya Gazeta*, 23 December, 2003.

<sup>cxxii</sup> Sto millionov tuda, sto syuda. I bse iz byudjeta. 4 December, 2003. reproduced on [compromat.ru/main/rossel/chernetskij1000.htm](http://compromat.ru/main/rossel/chernetskij1000.htm)

<sup>cxxiii</sup> *Delovoi Ural* 48 (553) 23 December, 2003.

<sup>cxxiv</sup> *Kommersant* 23 December, 2003.

<sup>cxxv</sup> *Ekaterinburgskaya Nedelya* 52(512) 25 December, 2003.

<sup>cxxvi</sup> *Delovoi Ural* 48 (553) 23 December, 2003.

<sup>cxxvii</sup> In December 2002 Khabarov had formally disbanded OPS Uralmash, although it clearly continued its existence and Khabarov was routinely referred to as the head of ex-Uralmash

<sup>cxxviii</sup> Caucasian here refers to ethnicities based in the contemporary Caucasus – Georgian, Armenian Chechen.

<sup>cxxix</sup> [Uralpolit.ru](http://Uralpolit.ru), 16 September, 2004.

<sup>cxxxx</sup> [Uralpolit.ru](http://Uralpolit.ru), 5 October 2004.

<sup>cxxxi</sup> [Uralpolit.ru](http://Uralpolit.ru) 28 January, 2005.

<sup>cxxxii</sup> The symbol of United Russia is a bear.

<sup>cxxxiii</sup> *Nezavisimaya Gazeta* 29 April 2004, 2 August, 2004.

<sup>cxxxiv</sup> <http://www.ura.ru/print/news/25900>

<sup>cxxxv</sup> Conversations with Ekaterinburg city officials, June, 2007.

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<sup>cxxxvi</sup> Zakat ‘korporatsiya Ekaterinburg’: u Arkadi Chernetskogo ‘prokhudilos krysha’. <http://www.lenta66.ru/politic/2007/06/26/40-67>.

<sup>cxxxvii</sup> See Konitzer, op.cit.

<sup>cxxxviii</sup> In Russian governance there is some reticence about publicly firing senior officials. Instead they go ‘of their own volition’, typically after being put in a position where this is the logical outcome.

<sup>cxxxix</sup> Gubernatorsky pasience: chego hochet Kremi? <http://www.golossamara.ru/politics/2007/08/28/3802>

<sup>cxl</sup> O chem. Chernetski dogovorilsya s Surkovym – detali vstrechi. <http://www.lenta66.ru/politic/2007/08/16/6142>

<sup>cxli</sup> <http://www.nr2.ru/ekb/139839.html>

<sup>cxlii</sup> Burkov gotov brosit’ kompaniyu I vstupit’ v ‘Edinuyu Rossiyu’. <http://www.ura.ru/content/svrd/11-10-2007/articles/2650>. This last article should be handled with care, as it could be a case of ‘black PR’ (dangerous disinformation), but it provides a near-perfect example of the Sverdlovsk/Ekaterinburg mastery of Byzantine intrigue. One should not assume that Chernetsky will necessarily run in March, 2008, although all the evidence suggests that he will. If he chose not to, having been elected to the State Duma, Burkov might be a candidate who would be acceptable to both Chernetsky and Rossel.

<sup>cxliii</sup> C.Parsons ‘How to map arguments in Political Science’, Oxford University Press, 2007.

<sup>cxliv</sup> K. Stoner-Weiss, *Local Heroes*, Princeton, 1997.

<sup>cxlv</sup> Locke, 1946 op.cit xix.

<sup>cxlvi</sup> Hobbes op.cit. p.143.