

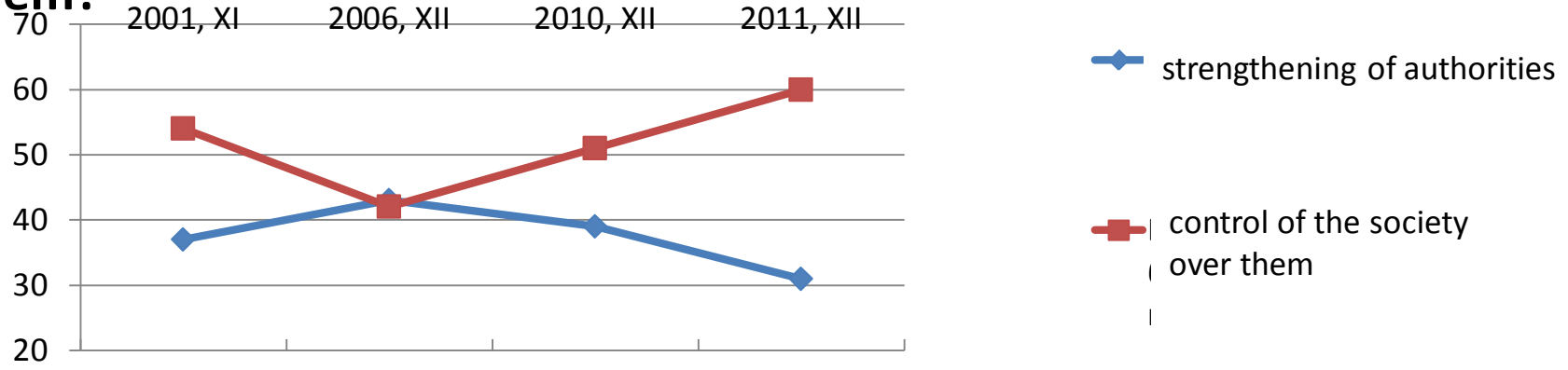


# **Russia-2025: Scenarios for the Future**

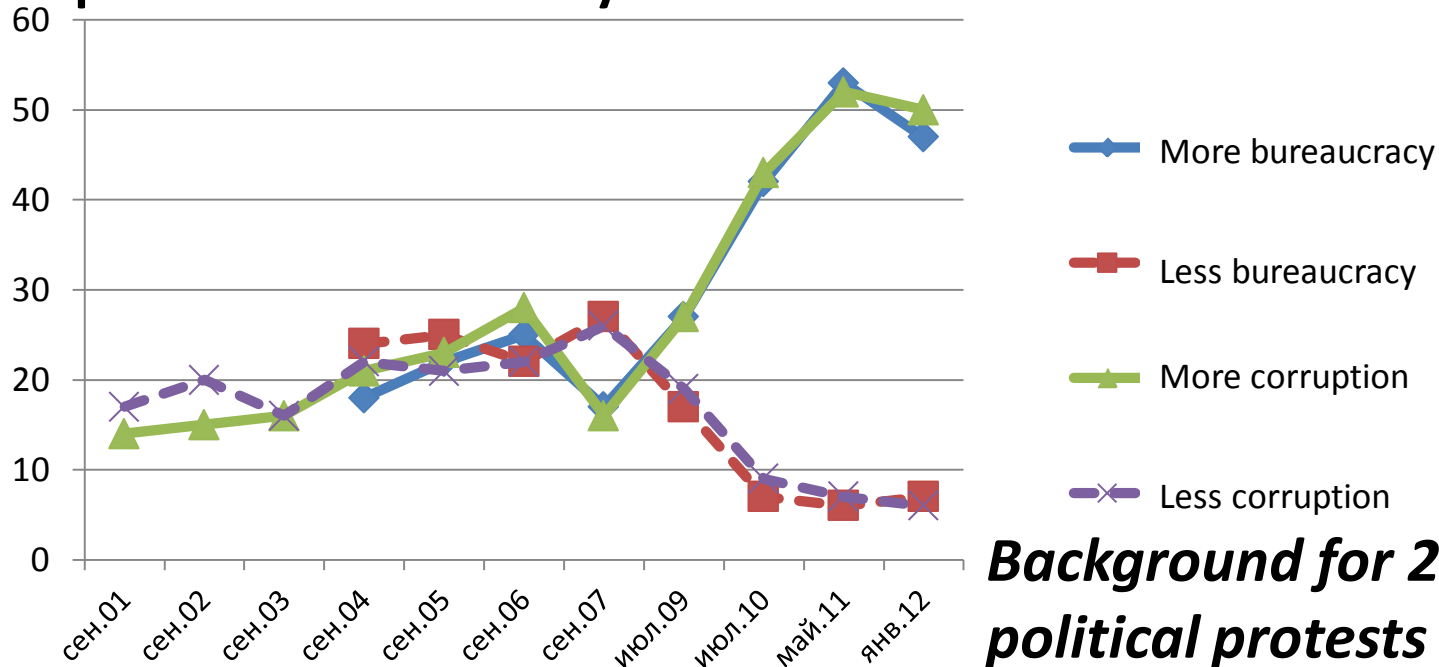
**February 2013**  
**Nikolay Petrov , HSE**

# Society-Authorities, 2000-2012

What Russia needs more: strengthening of authorities or control of the society over them?



If to compare last decade with Yeltsin's époque, what can you say about corruption and bureaucracy?



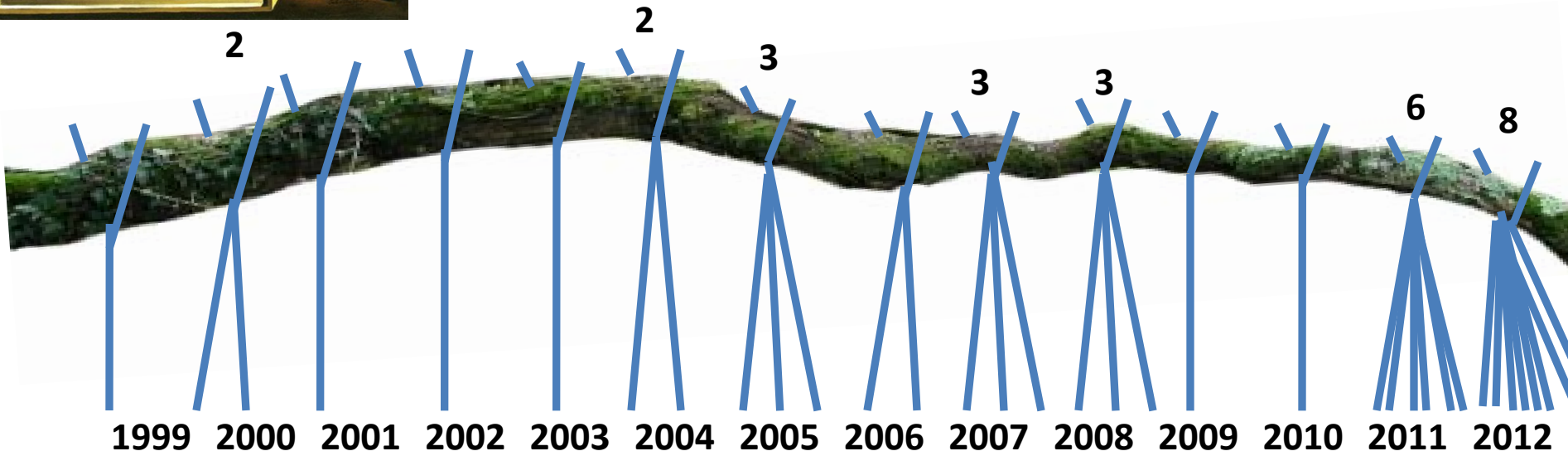
**Background for 2011-2012 political protests**



# Substitutions in Putin's Russia

**2012 (8)** - The Council of lawmakers; Putin's strategic cabinet at the Kremlin with his former key ministers, presidential Commission on fuel, energy, and environment, Ministry/ corporation on the Far East; electronic voting (Presidential council on civil society); municipal filters at gubernatorial elections; Center to promote lawmaking at ISEPI; ombudsmen on entrepreneurs' affairs.

## Dynamics of major substitutes' emergence



**2011 (6)** – All-Russian Popular Front; Strategy-2020 expert group and the Institute of Socio-Economic and Political Studies (ISEPI); the United Russia primaries; investment ombudsmen; the Agency for Strategic Initiatives; the “Broad Government”.

# **Five weakened democratic institutions and their substitutions in Russia at the federal level**

<b>State Duma</b>	<b>Public Chamber</b> <b>Consultative councils, commissions attached to president</b>
<b>Federation Council</b>	<b>State Council and its Presidium</b> <b>Council of Legislators</b>
<b>Political parties</b>	<b>'Loyal opposition' parties and movements</b> <b>State corporations</b> <b>Regional political machines</b>
<b>Independent media</b>	<b>Public reception offices</b> <b>Regional networks for collecting letters from citizens</b> <b>FSB, other secret services</b> <b>Pollsters</b>
<b>Government</b>	<b>Presidential administration</b> <b>State corporations</b> <b>Security Council</b> <b>Elite 'clubs'</b>

# **Three weakened democratic institutions and their substitutions in Russia at the regional level**

<b>Federal and regional bodies of executive power</b>	<b>Plenipotentiary presidential envoys to federal districts; chief federal inspectors</b>
<b>Popularly elected heads of regions and of municipalities</b>	<b>Presidential appointees confirmed by regional parliaments and hired city-managers</b>
<b>Direct elections</b>	<b>Horizontal rotation of federal appointees including governors; complicated system of indicators used to evaluate efficiency of regional authorities; so called 'personnel reserve' at different levels; secret sociological polls to evaluate public attitudes;</b>

# Strong leader's power

## Putin's business-political elites



### A. First circle (partners):

1. the Kovalchuks (Mikhail, Boris, Yuri)  
+ Vladimir Kogan
2. the Rotenberg brothers (Arkadiy, Boris)
3. Gennady Timchenko
4. Andrei Fursenko
5. Vladimir Strzhalkovsky
6. Silvio Berlusconi
7. f. Tikhon (Shevkunov)
8. Roman Abramovich
9. Igor Sechin
10. Oleg Deripaska
11. Alisher Usmanov

- 
- a. Sergey Sobyenin
  - b. Matthias Warnig
  - c. Vladimir Litvinenko
  - d. Alexey Kudrin

# **Basics of the Overmanaged Democracy regime**

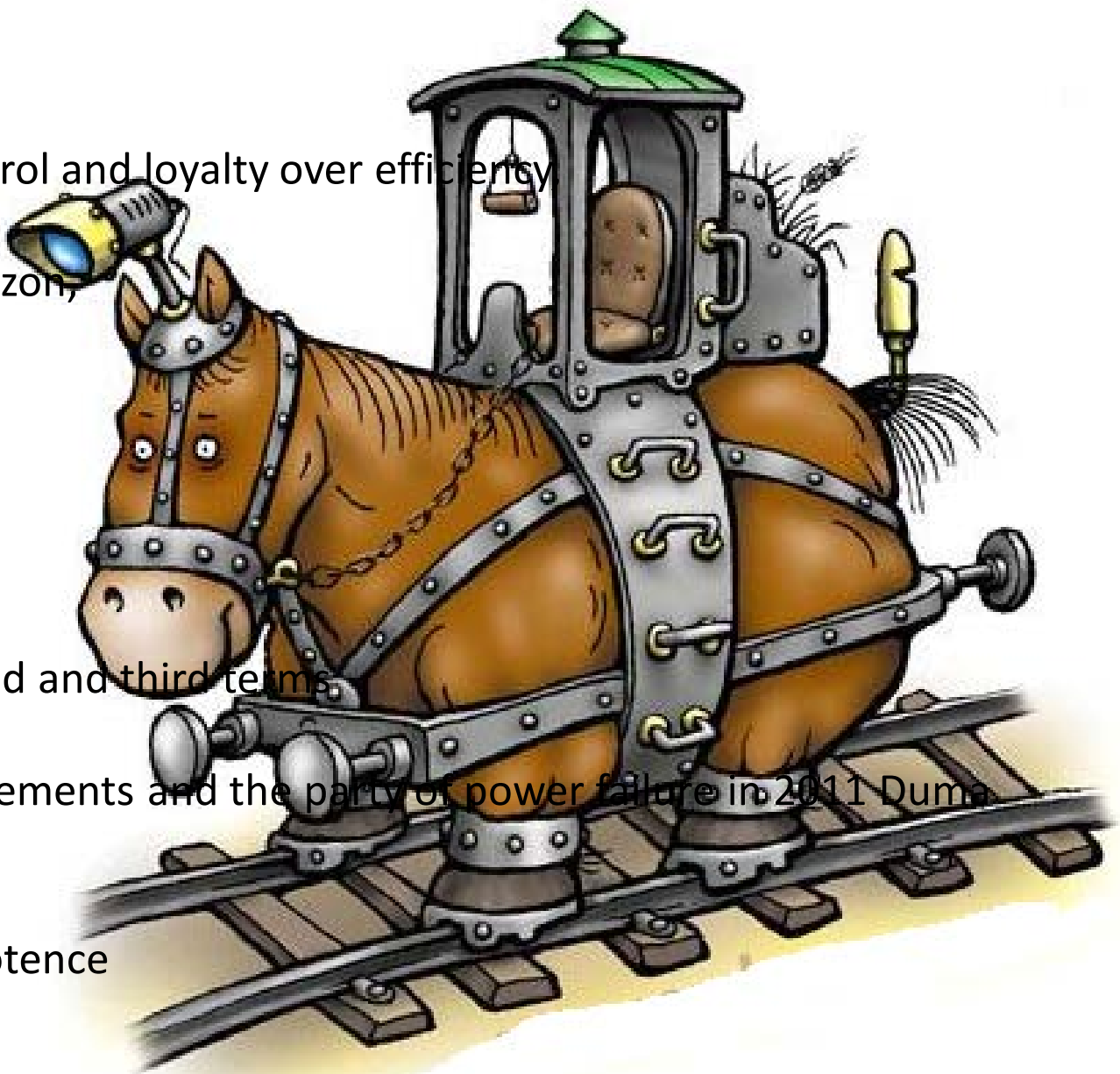
- 1. Putin's OMD = strong presidentialism unrestricted by other institutions + controlled media + controlled elections.**
- 2. Replacement of institutions by substitutions**
- 3. Non-flexibility and lack of drivers.**
- 4. Declining OMD efficiency and growing dependence from oil dollars.**
- 5. Simplistic solutions for complex problems.**
- 6. Dismantling of "failsafe" mechanisms**
- 7. OMD in elections: win-win game for the Kremlin.**
- 8. Declining role of elective offices.**
- 9. Action-reaction model in elections**
- 10. Internal elites contradiction in an electoral OMD**
- 11. Need for modernization.**

# Growing dysfunctionality

- Priority of control and loyalty over efficiency
- short time horizon,
- narrow vision

Cases:

- 1 Putin's first, second and third terms
- 2 Governors' replacements and the party of power failure in 2011 Duma elections
3. Impotent omnipotence





# System's mechanical character, lack of flexibility and adjustability

High center of gravity - instability

Lack of buffers, leading to shocks being transmitted to the very top

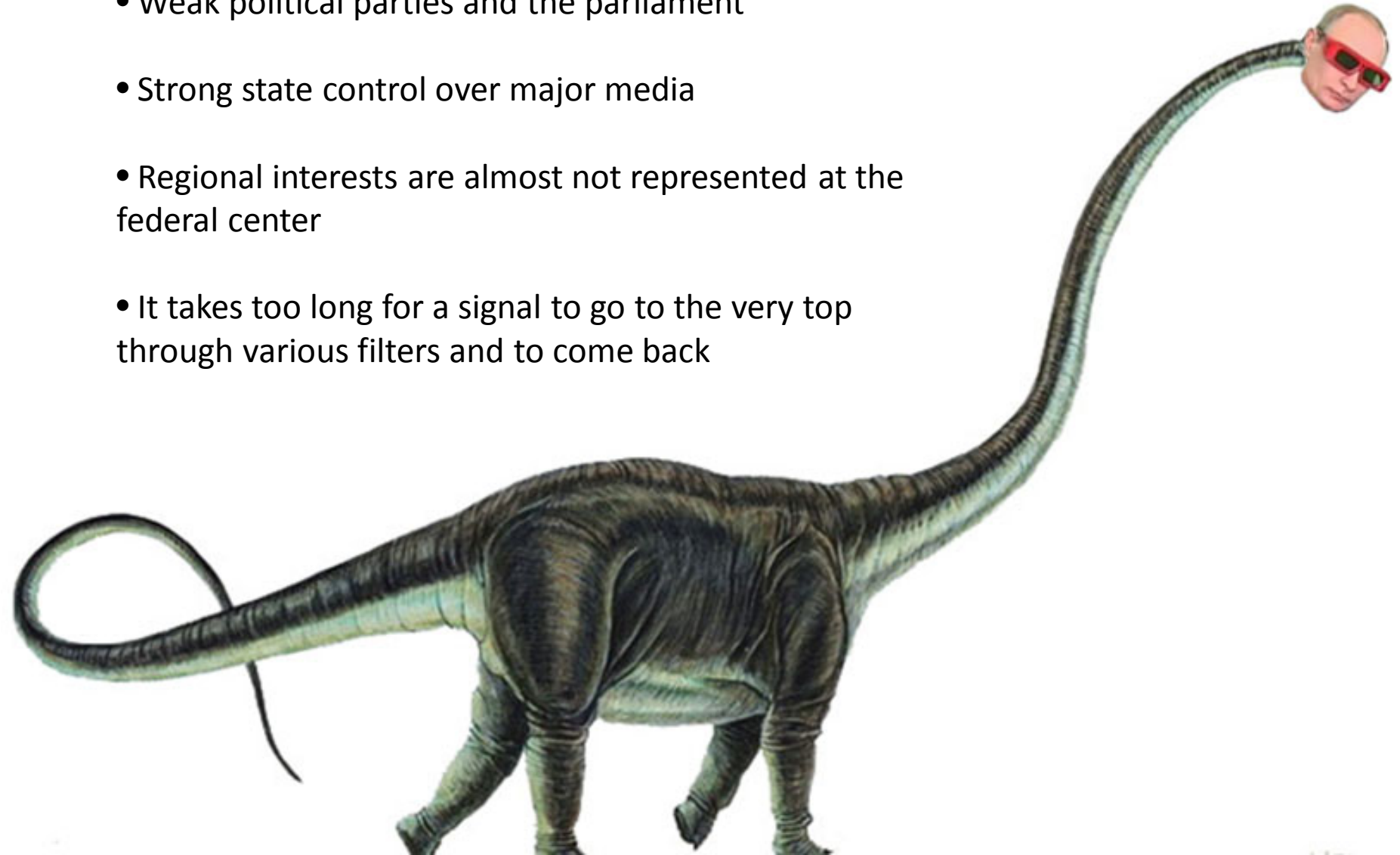
Inability to grow organically and to adjust

Local political crisis can easily transform into all-Russian one posing risk to the whole system



# Weak feedback

- Weak political parties and the parliament
- Strong state control over major media
- Regional interests are almost not represented at the federal center
- It takes too long for a signal to go to the very top through various filters and to come back



# Troubles with decision-making

- Absence of formal formats to represent interests of major elite clans and to find a compromise
- bilateral rather than multilateral communication,
- matter of time,
- tactical rather than strategic,
- no way to make a logical chain of election/ reforms

None of serious decisions where interests of different elite groups overlap has been made recently once and forever

Pension reform; political reform – 2011;  
Cases: Rosneftegaz...



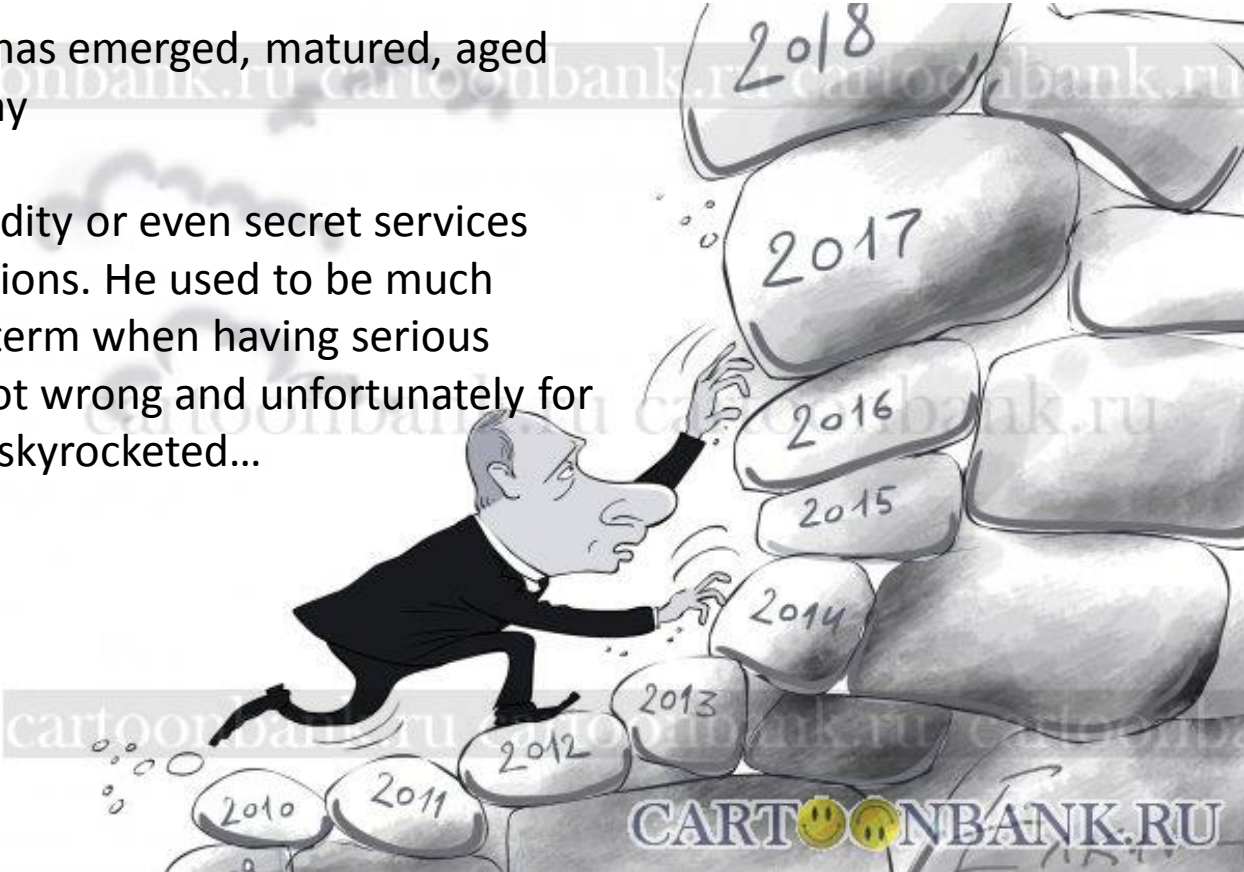
# Russia's political system under Putin: diagnosis

It's not just imitating something, it works.

The problem is that it's static, it can't reproduce itself which makes its lifetime very limited.

Putin's system during 12 years has emerged, matured, aged and is now at the stage of decay

Putin's problem is not his stupidity or even secret services background, it's lack of restrictions. He used to be much more effective during his first term when having serious restrictions, then everything got wrong and unfortunately for him and the country oil prices skyrocketed...



# 2012 emasculated political reform

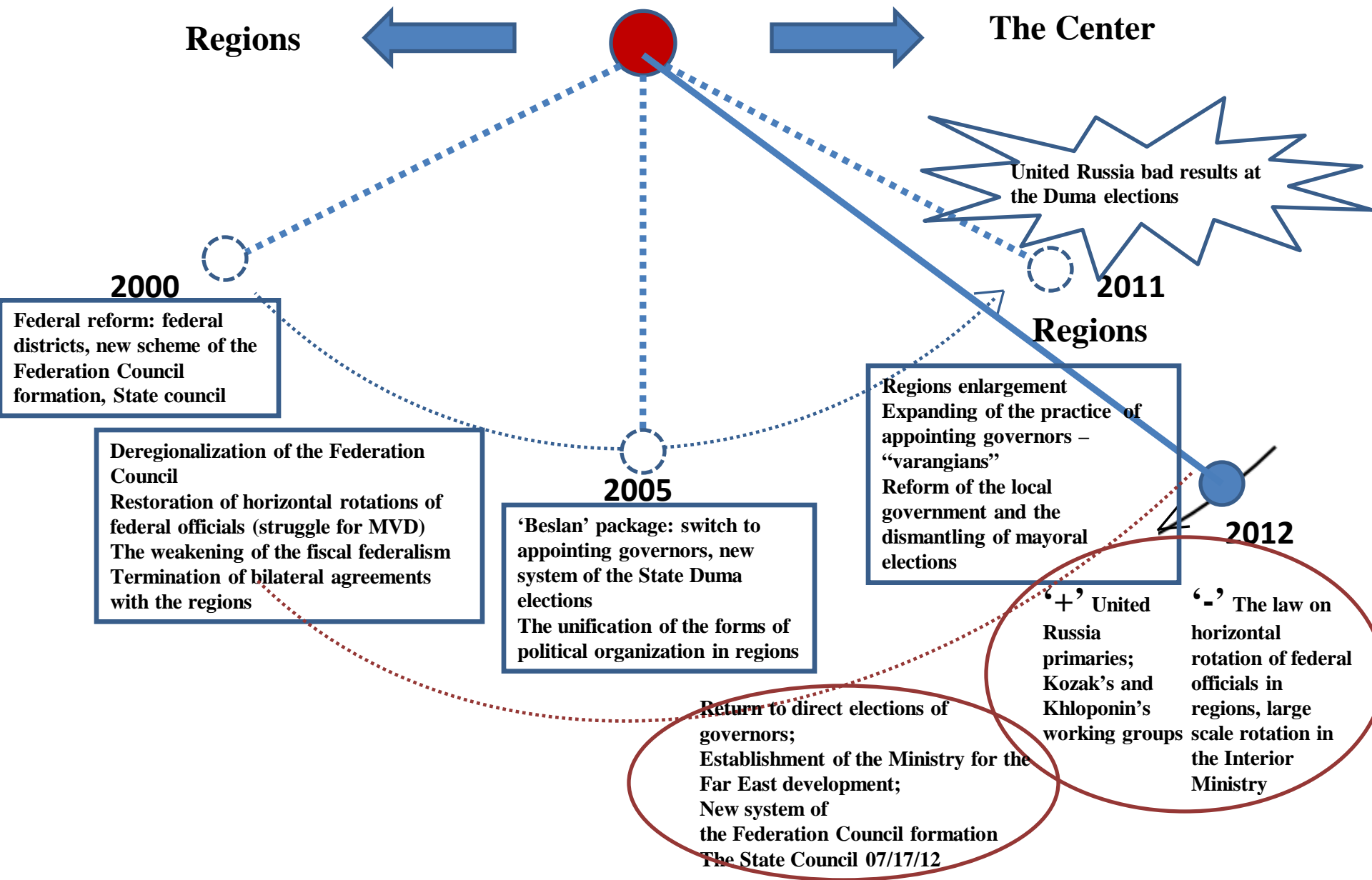
Even the most truncated of Kremlin's recent political reforms have begun to falter. The Kremlin has decided to slow the pace of reform now that the presidential election is over and the protests have quieted down.

- ❖ Parties. Loosening the procedure for registering **political parties** – done
- ❖ **Direct gubernatorial elections** – restored, although a) there are two filters; and b) the Kremlin avoids elections
- ❖ The new scheme of the **Duma** election worse than existing one - waits for the second reading
- ❖ The new scheme of the **Federation Council** formation – draft sent to the Duma
- ❖ Amendments to the law on meetings – tightening the screws



*Decorative reforms and bottlenecks*

# Center-regions relationship in 2000s, dynamics





# A short, victorious war against corruption?

Anti-corruption crescendo:

- *Oboronservis* + (2010) (Serdyukov) > **6.7 billion RUR;**
- *Russian Space Systems/ GLONASS* (2009-2010) (Ivanov) > **6.5 billion RUR;**
- *APEC summit in Vladivostok and Minregionrazvitiya* (Shuvalov) 2008-2012– **93 million RUR;**
- *Minzdravsocrazvitiya* 2011 – **250 million RUR;**
- *Minenergo* 2011-2012 – **90 million RUR;**
- *'Stankoimport'* 2004 – **2.5 billion RUR;**
- *System utilities in St. Petersburg* 2011 – **3 billion RUR;**
- *Rosagrolizing* 2007-2009 (Skrynnik) – **39 billion RUR;**
- *Rostelecom* 2011 - **100 million RUR**



# A short, victorious war against corruption?

## What for?



Well prepared campaign with media support

Anatoly Serdyukov as a sacrificial lamb

Social-Darwinism in practice

Goals: to demoralize and consolidate the elites in order to let Putin more room for maneuver; to raise Putin's legitimacy in the eyes of ordinary Russians; to feed new 'hungry' elites.

Just to increase Putin's control over bureaucracy

Russia in 2012 Transparency International rating





# Scenarios for the future

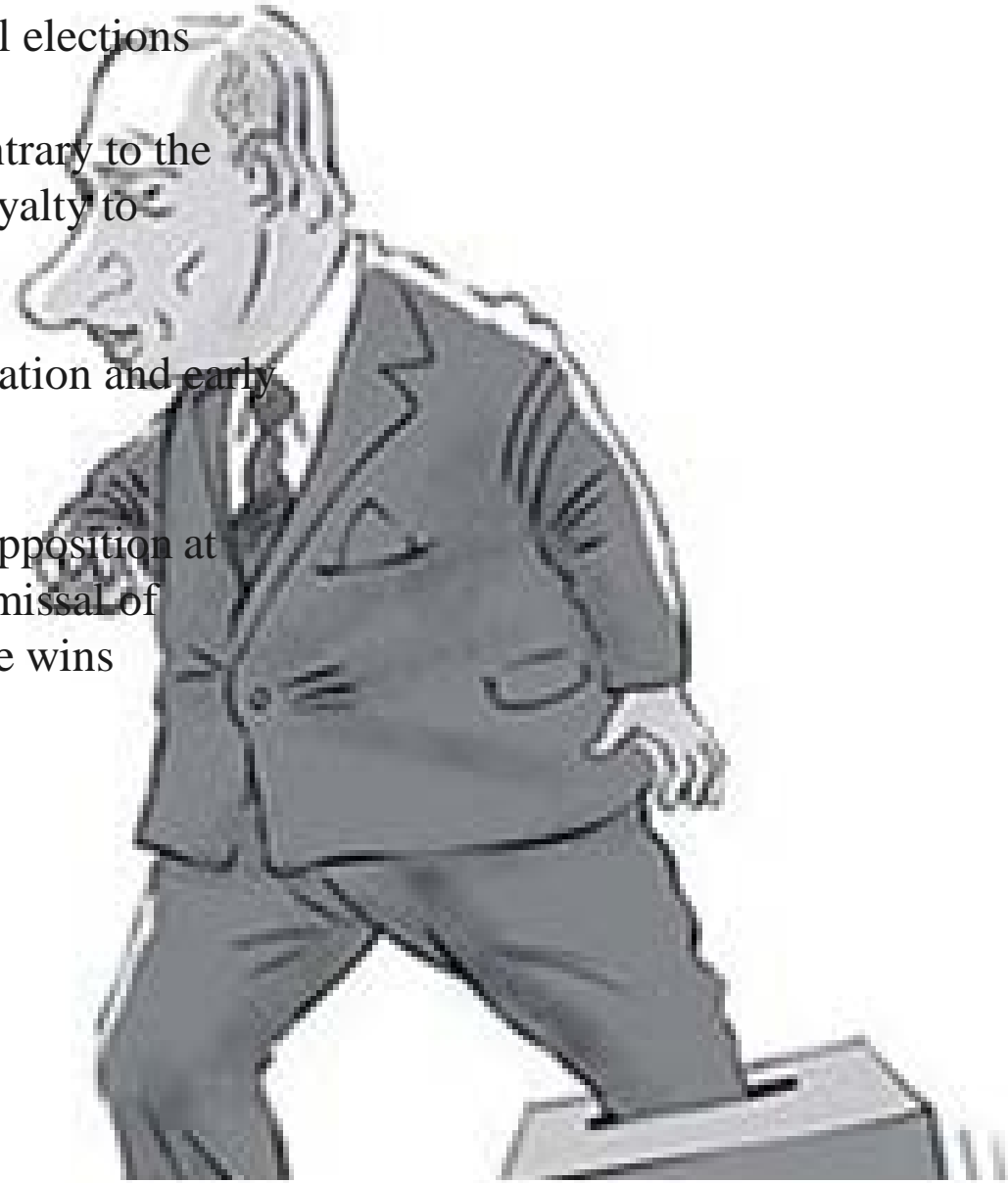
***Optimistic scenario*** - Modernization from above : Putin - modernizer.  
Putin starts reforming the system to minimize risks of transfer of power.  
Political liberalization and institutional reforms.

***Pessimistic scenario*** - Modernization from below : Putin – Shmutin.  
Vicious circle of phases ‘Order, Putin’s style’ – ‘Democracy, Yeltsin’s style’  
without strengthening institutions.

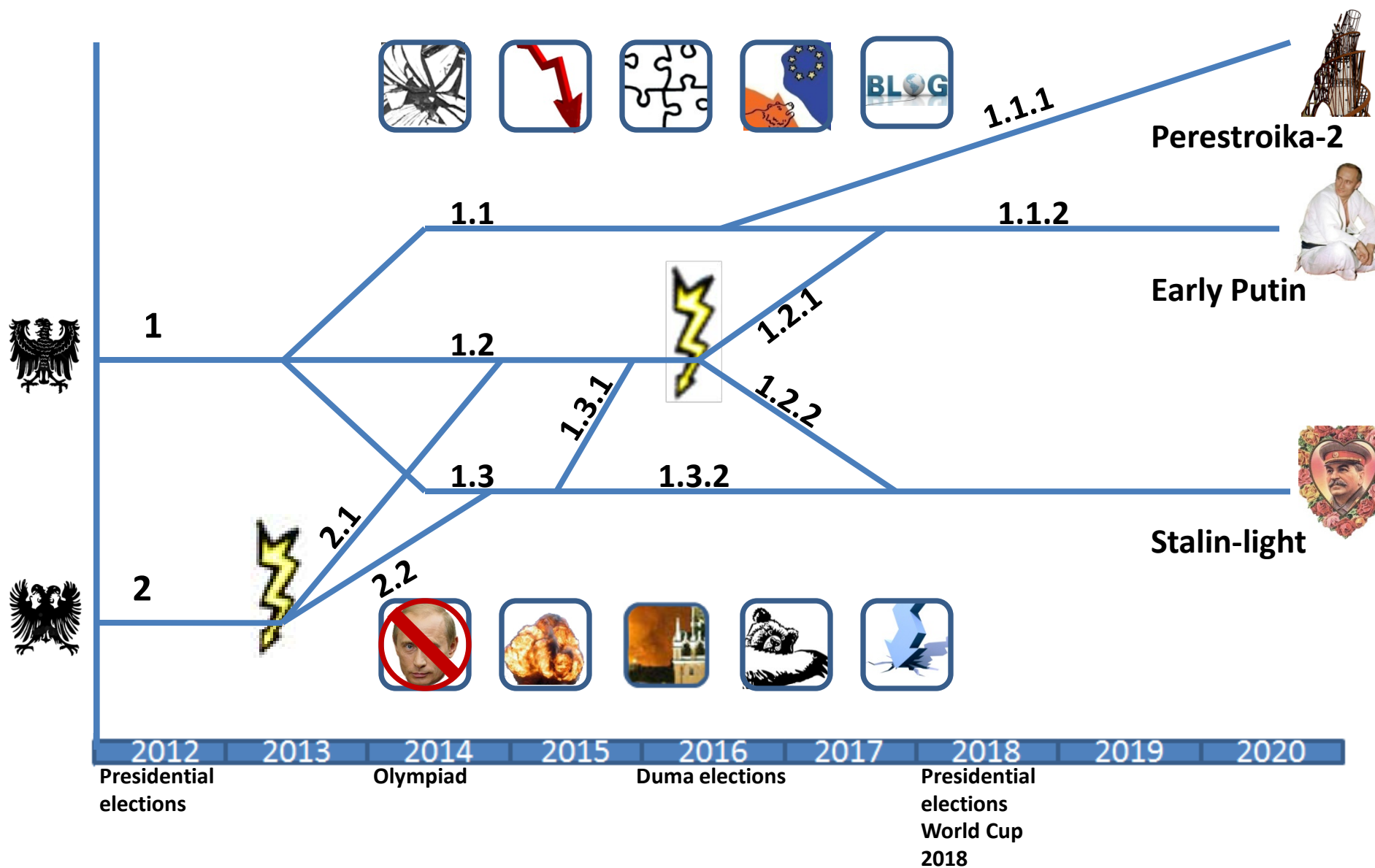
***Realistic scenario*** - reactive Modernization : neither Putin nor another Putin.  
Business-political elites understand that Putin is an obstacle rather  
than an asset and start his replacement. The only way is to share his  
power, which needs strengthening institutions.

# Elections as a model of transformation

- Set of the party of power failures in local elections
- Avalanche of gubernatorial elections contrary to the Kremlin's plans, increase of governors' loyalty to regional citizenry
- 'Regionalization' of the Council of Federation and early Duma elections
- Yaroslavl 'success story': victory of an opposition at regional assembly reelection (2013) – dismissal of appointed governor – opposition candidate wins gubernatorial election



# Russia in 2020: scenarios for the future



# Wild cards scenarios



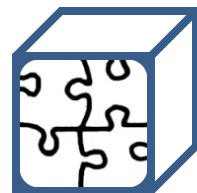
- **Russia Without Putin**



- **Destabilization of Neighbors**



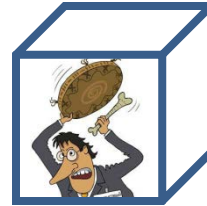
- **World crisis**



- **Schism in the Elite**



- **Soft Dissolution**



- **Large-scale management crisis**



- **Destabilization in Moscow**



- **A Third War in the Caucasus**



- **Nationalist Coup**



- **European Choice**



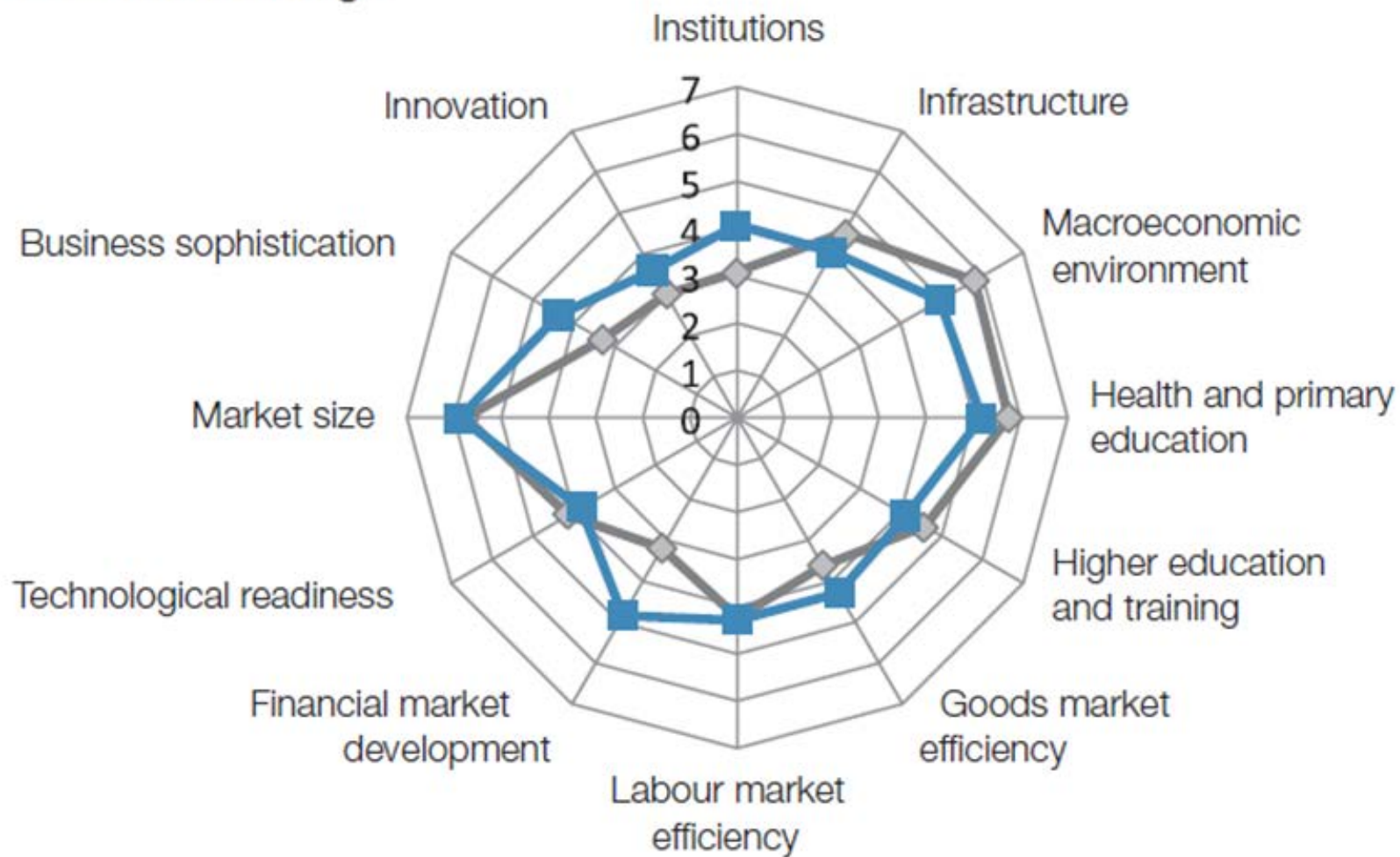
- **Bloggers' Revolution**

\*BICS: Brazil, India, China and South Africa

Source: World Economic Forum Global Competitiveness Report 2012-13

—◆— Russia

—■— BICS average



# Davos Scenario Framework



**Regional Rebalancing**

- Gradual decline in energy prices
- Pockets of institutional change at the regional level
- Opportunities created by strong investments in agricultural and related sectors

**Precarious Stability**

- Sudden and sustained drop in energy prices
- No institutional reforms
- Strengthened hold of the state on the economy

**Beyond Complacency**

- Consistently high energy prices
- Complacency about institutional reforms, aside from the firewalled energy sector
- Increasing popular discontent with inefficient public service delivery eventually drives a wave of institutional reforms

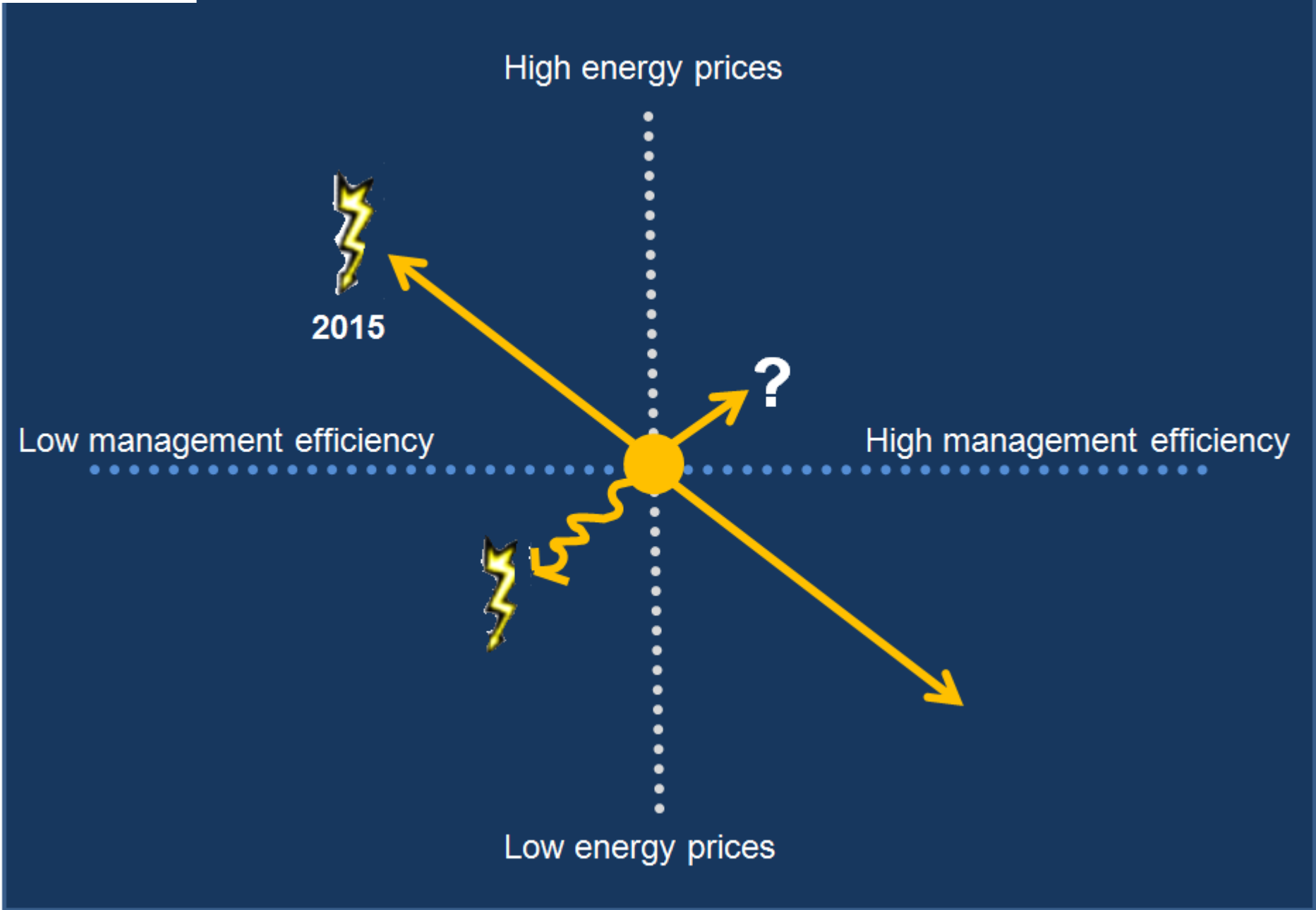
# Declining efficiency and rationality

**Vladivostok-2012**     \$22 billion (Russia's 1999 budget)  
**Sochi-2014**         \$ 50 billion



- 1) *Huge corruption when*
- 2) *Constructing Potemkin villages;*
- 3) *Counter-productive expenses*







Thank you for your attention!



PS.

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