1998-09

Regions Carp as Center Flounders

https://hdl.handle.net/2144/3554

Boston University
With the campaign slogan "Break Moscow's Fetters," Nizhny Novgorod mayoral candidate Dmitri Bednyakov seems to reflect the opinion of an increasing number of Russians with greater confidence in regional, rather than federal, authorities, as the latter are seen as incompetent and unreliable. (1) The present economic and political crisis has exacerbated this mistrust and has caused various regions to react with creative, if not entirely desperate, techniques for survival. The result has been an acceleration of the process of political decentralization, which has developed quietly over the last few years.

The effect of the present crisis on center-regional relations cannot be known at this early stage, but judging by the constitutional structure of the federal government and the inability of the federal authorities to provide even minimal leadership, an increase in regional autonomy is assured. Any shift in power may be permanent or of long duration for, if history is any guide, power once given--or taken--is loath to be surrendered. It is too soon to claim that centralism is dead; but for the first time in modern Russian history, significant political authority can be found in areas outside of palace, party, or president. A review of the structure of Russian federalism, the actions of the regions in response to the crisis and Moscow's abrogation of leadership, suggests that some devolution of power is occurring.

**Constitutional Structure**
Federalism is enshrined in the 1993 constitution in chapters 3, 5, and 8. Chapter 3, "Russian Federation," recognizes 87 subjects (states, Länder, provinces) of the
federation with the status of Moscow and St. Petersburg to be determined later. (2) Article 71 enumerates the powers reserved for the federal government, Article 72 discusses powers shared by the federal government and the regional governments, (3) and Article 73, similar to the Tenth Amendment to the United States’ constitution, reserves "the entire spectrum of state power" for the regions. (4)

Chapter 5, "The Federal Assembly," provides that regions will be directly represented in the upper house of the Federal Assembly, the Federation Council. Each region is given two seats in the Federation Council, but unlike the American Senate, regions do not elect representatives expressly for this purpose. Rather, Article 95 provides that "two deputies from each subject of the Federation shall be members of Federation Council: one from the representative and one from the executive body of state authority." A subsequent presidential decree defined this to mean that each region would be represented by its governor, or chief executive, and the head of its regional parliament.

The Federation Council has the potential to save the flawed system during this crisis. This is because the Federation Council is at once both central and regional, and thus embodies both levels of sovereignty within the federal system. Members of the upper house of the Russian parliament do not merely represent the interests of the regions--they are the regions. In other words, in an institutional sense, the Federation Council is less about representation than it is a caucus of regional authorities. During times of "normal" politics, the Federation Council can be a terrible burden on the governor and speakers or presidents of regional legislatures because direct regional representation is not really necessary for the day-to-day functions of government. However, during times of constitutional crisis, the regional sovereignty within the Federation Council, legitimated by a democratic process separate from the federal source whose legitimacy would then be in question, can become the "provisional" representation of the nation until the truly national institutions--the president and/or the Duma--can re-establish themselves. Most importantly, all of this is largely possible within the confines of the constitution. In fact, governors have been brought directly into the presidium of the government.
Chapter 5 provides for the election of the lower house of the Federal Assembly, but is silent as to how the members are to be elected. Article 95, Section 3 says only that the Duma shall consist of 450 members. A 1995 law on Duma elections provided that one-half of the Duma be elected by single-member constituencies and one-half by national party lists distributed by proportional representation. (5) This election method has had a significant impact on the structure of Russian political parties both inside and outside the Duma. Single-member districts undercut the ability of Duma factions and national parties to maintain party discipline. The existence of single-member electoral districts makes for lawmakers whose concerns lie more with their districts than with national party issues. In order to survive, "national" parties which are managed from Moscow must address the needs of specific regions. This too enhances regional influence in the Duma.

Chapter 8, "Local Self-Government," may be the most important section of the constitution for the development of federalism by virtue of what it omits: It does not tell the regions how to set up or run their governments. Article 130, Section 1 says that "local self-government[shall] ensure independent solution by the population of local issues," and Article 131, Section 1 allows "the structure of bodies of local self-government [to] be determined by the population independently." Article 132, Section 1 empowers local governments to "independently manage municipal property, form, approve, and execute the local budget, establish local taxes and levies, and ensure law and order and solve any other local issues." This seemingly simple absence of instruction forced the regions to become responsible for an entire host of post-Soviet transitional issues, as well as the more quotidian affairs of government. It also provides the regions with a broad constitutional argument for their recent actions. Thus the constitution allows the creation, perhaps unwittingly, of real centers of popular decision-making where only hollow regional administration existed before.

The inability of the federal government to implement its own laws contributes to the structural causes of increased regional autonomy. The catastrophic disarray of the Russian bureaucracy is no secret, but it seems often ignored in the debate about reform
proposals. Even if meaningful reform were to be introduced in Moscow, it is a long way from the Kremlin to the regions, i.e., the average citizen's front door. (6) The reverse is also true; the representatives of regional governments often must go begging hat-in-hand to particular federal bureaucrats who have the connections to dispense the necessary help. The system is capricious, personalized, and wildly ineffective. Regional governments often must find their own way because they simply cannot trust the federal government to make good on its promises.

Another obvious case of expanding regional competence is the process of signing center-region treaties, themselves an admission of the lack of federal control after the collapse of the Soviet Union. The process began more than four years ago with the Republic of Tatarstan. Since then more than 40 other regions have signed such agreements.

**Crisis and the Changing Federal Relationship**

In view of the federal nature of the Russian political structure, it is hardly surprising that response to the present economic and political crisis has come in a decentralized or regional form. From regional currencies, to price caps, to trade prohibitions, the regions are struggling to feed, house, and clothe their citizens because the central government is incapable of doing so.

The crisis began with the effective devaluation of the ruble in August. This led to a partial collapse of the banking system. (7) The crisis was compounded politically with Prime Minister Sergei Kirienko's dismissal as well as Viktor Chernomyrdin's nomination and two-time rejection by the Duma, culminating in the Duma's ratification of Yevgeni Primakov's prime ministerial candidacy on 11 September.

Responses to the crisis range widely, but several trends are clear. Some, or most, regions are withdrawing from the Russian market as a whole, and some are taking control of law enforcement agencies, thereby taking control of their own borders. For instance, certain regions, such as St. Petersburg, asked banks to invest not in federal
treasury bonds, but rather in regional bonds. Often those who transferred their funds to regional bonds did better than those who did not. But buyer beware: Several regions, such as Tatarstan, have defaulted on their debts. (8)

The Tatarstan case makes an important point. Much of what is presently happening is not necessarily the result of the crisis; rather, regional authorities have used the center's mess to explain the failure of local economies. Vechernyaya kazan reported that Tatarstan would have defaulted on its debts anyway, regardless of the ruble devaluation, because the money it raised was mishandled. (9) Kaliningrad Governor Leonid Gorbenko noted that "it is becoming ever more evident that power structures in the provinces are trying to 'grab' a maximum of powers that unquestionably belonged to the central administration as recently as a week ago." Gorbenko goes on to claim that this is understandable because "Moscow is currently unable to control the situation in the state," (10) but another reason for the power struggle may be to lessen the chance of future financial control by Moscow. In a July interview, the speaker of the Khanty-Mansi Autonomous Area, Sergei Sobyanin, argued that the true sources of power in the regions were not Moscow "oligarchs" or politicians but the finance ministry, since 79 out of 89 regions received federal subsidies and were therefore subject to intimidation by the ministry. (11)

Times have changed, at least temporarily. As more and more regions refuse to pay taxes or hand over central bank deposits, federal treasury employees posted in the regions are finding themselves increasingly at the mercy of regional authorities for assistance in resolving matters of business, as well as for help in day-to-day living. (12) For years, regional authorities had to beg the federal treasury for attention. Now that the tables have turned, it would be small wonder if a little retribution were not in order.

Sergei Sobyanin also noted that the "power" ministries play a significant role in intimidating the regions. According to Sobyanin, "they are engaged in collecting bags of compromising materials against regional leaders." (13) Perhaps this is one reason why many regional and local governments are setting up their own security councils, chaired
by the governor or mayor and including regional and local representatives from law enforcement agencies. Duma Security Council member Vladimir Lopatin says that, with Moscow unable to pay the salaries of local law enforcement officers, they turn to local authorities who, predictably, want control over how enforcement groups operate. The regional and local officials then gain control of agencies which are technically under the exclusive purview of the federal authorities. The situation is illegal, says Lopatin, but the regions find having their own security councils is helpful for extracting more power from Moscow, (14) and possibly protecting themselves from future abuses of federal authority.

Some regions have erected trading barriers in clear contravention of the constitution. Chapter 3, Article 74, Section 1 states that "no customs frontiers, duties, levies, or any other barriers for free movement of goods, services, or financial means may be established," but many regions are doing just that. Tatarstan's president, Mintimer Shaimiev, prevented exports of sugar and sugar beets from the republic—as well as imports of alcohol from other regions. (15) (It seems that several regions have created their own monopoly on alcohol production.) In Volgograd, governor Nikolai Maksuyuta sent the militia to prevent the shipment of 257 tons of produce and the transfer of 200 sheep from the region, and some Volgograd firms show signs of substituting local raw materials for imported resources. (16) Sakha and Kemerovo are moving to set up their own gold reserves, which could lead ultimately to their own central banks. (17)

Many regions have ceased to pay federal taxes. Although the regions that contribute most of the federal budget (Moscow, Khanty-Mansi, Yamal-Nenets, Samara, Sverdlovsk and Krasnoyarsk) are still paying, the chairman of the Federation Council, Yegor Stroev, noted that presently, the "transit of financial resources is the most difficult problem." (18) From Tomsk, to Omsk, to Irkutsk, to Kakhassiya, regions are not sending their federal tax receipts to Moscow. To illustrate the level of distrust between the regions and center, Altai Krai is refusing to send 40 million rubles, in exchange for a federal payment of 180 million rubles, because the krai believes the promised payment would not be forthcoming. (19) Better one in the hand than four and one-half in the bush. Moreover,
regions are taking control of federal shares in local factories. For example, with the use of Eurobond money, the administration of Nizhny Novgorod Oblast' purchased a controlling share in many of its local companies and successfully lobbied the federal government for the transfer of federally owned company shares to them. Prime Minister Primakov recently endorsed this measure. (20)

Regions are also developing their own financial systems based largely on barter. Last year the Karpov commission reported that the country's largest companies conducted 73 percent of their business in barter and other non-monetary ways. (21) Interestingly, they paid 80 percent of the taxes owed to the federal government, but only 8 percent in cash. In the Udor District of the Komi Republic, rent and utility bills are paid with potatoes: 1 kilogram of potatoes = 2 rubles. A decree by the president of the Komi Republic, Yuri Spiridonov, provides for the settlement of debts by payments in kind. The public utility workers who were owed wages quickly snapped up the potatoes. (22) In Tatarstan, the regional government was told by Moscow that 24 local companies with federal tax arrears could pay their debt by supplying the armed forces stationed in Tatarstan with food and other consumables. (23)

Impact on Future Center-Region Relations
That the regions "circle their wagons" in slightly different ways, as their specific crises warrant, is not surprising. What is important is the possible shift in regional attitudes and the increasing permanence of crisis-born regional institutions which may challenge future attempts by Moscow to rein in the regions. If it is felt that Moscow dithers while the regions wither, there may be a regional reluctance to cooperate fully with Moscow and the regions may tend to "squirrel away" assets rather than surrender them to a central authority.

Institutional change may include: an expansion of regional financial institutions and their close association with the regional authorities; an increase in bilateral relationships, both inside and outside the federation; and the continuation of barter economy and a distrust of cash. Also evident is an increased profile for interregional association, or
super-regions, (24) the leaders of which have been granted seats in the presidium of the government. The super-regions may also constitute the basis for some future administration of the economy, although the chances of that seem dim. (25)

Three things have changed permanently in Russian political culture as a result: an increase in the number and type of players in the Russian political system; the proliferation of power venues and "entry points" into the political system; and the slide from political power or authority as a singular concept to one which is increasingly plural in nature. It is often said that adversity builds character. Perhaps it will also build Russian federalism.

Notes:
2 Presently they are recognized as full subjects of the federation, bringing the total number of regions to 89.
3 I use region as a generic reference to all administrative subjects of the federation.
4 All subsequent quotations from the Constitution of the Russian Federation are taken from the copy found at .
5 President Yel'tsin suggested changing the law so that the entire body would be elected by single-member districts, and predictably, encountered fierce resistance from the national political parties.
6 Former Deputy Prime Minister Boris Nemtsov pointed to his inability to overcome the opposition mounted by the entrenched bureaucracy as one of the mistakes he made while in office. See Obshchaya gazeta, 1-7 October 98; FBIS-SOV-98-287.
8 Vechernyaya kazan, 11 September 98.
9 Ibid.
10 Kaliningradskaya pravda, 10 September 98, pp. 1-2; FBIS-SOV-98-260.
12 Ekspert Magazine, 14 September 98.
13 Ibid.
14 Ruskii telegraf, 21 August 98.
16 Volgogradskaya pravda, 15 September 98.
17 Kommersant Daily, 10 September 98.
18 ITAR-TASS, 0946 GMT, 9 September 98; FBIS-SOV-98-252.
19 Finansovie izvestiya, 15 September 98.
20 ITAR-TASS, 0923 GMT, 3 October 98; FBIS-SOV-98-276.
21 The Interdepartmental Balance Commission headed by the Deputy Director of the Federal Administration on Bankruptcy, Petyr Karpov. The commission was instructed to collect tax from major debtors. See Clifford G. Gaddy and Barry W. Ickes, "Russia's Virtual Economy," Foreign Affairs (September/October 1998); Business Week, 13 April 98.
22 Syktyvkar, Komi Republic. ITAR-TASS, 17 September 1998; nexis.
23 See footnote 8.
24 The super-regions are: Greater Volga, Greater Urals, The North Caucasus, Northwest, The Siberian Accord, Central Russia, Chernozemye (The Black Earth Region), and Far-East and Trans-Baikal.
25 ITAR-TASS, 8 September 98.