

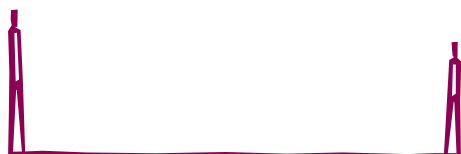
# MEDVEDEV'S TAKE ON THE POWER VERTICAL

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# MEDVEDEV'S TAKE ON THE POWER VERTICAL

ARE THE RULES OF THE GAME CHANGING IN RUSSIA?



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- The political system that Vladimir Putin established during the first decade of the 2000s is often referred to as 'the power vertical'. The term suggests a stable, streamlined and effective centre-led system. Yet, this image does not quite correspond with Russian reality. The system creates inefficiency, encourages corruption and is hostile towards bottom-up political initiative.
- The current leadership acknowledges that Russian stability is on shaky ground and therefore the system is in need of modernization. The economy is clearly a priority for the leadership: it believes that the political system's modernization should emerge gradually and in a highly controlled fashion from economic achievements.
- The current system in Russia is hostile to innovation and prone to corruption and therefore Medvedev's modernization plan is unlikely to succeed unless transparency and open competition within the system are considerably enhanced. This will be difficult to achieve because the elite benefits from the current corrupt and non-transparent system where the lines of responsibility are unclear.
- The West should not expect dramatic changes and radical liberal reforms in Russia. Western actors should, nevertheless, actively support and encourage economic and political reforms in the country and engage with it through international cooperation on specific issues such as anti-corruption policy. By stepping up its engagement with Russia, the West can demonstrate that a prosperous, competitive and modern Russia is also in the interests of the West.

Russia in the Regional and Global Context research programme  
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Photo: Jussi Mononen

### The house that Putin built: the power vertical

Vladimir Putin is often applauded for bringing stability and order to Russia. There is no doubt that in comparison with the turbulent 1990s, the perceived stability increased significantly in Russia during his two presidential terms. The political order was brought about by strengthening the central state and presidential power at the expense of other actors. During the Yeltsin years the centre had lost a considerable amount of power to the regions and to business oligarchs.

Putin's big project was to regain this power and increase it. In his first annual national address in July 2000, Putin envisaged that "[...] *the weakness of the state will bring economic and other reforms to nothing. The authorities must be guided by the law and the single executive power vertical [...]*". The ultimate aim was to siphon off political initiative from other political actors to the presidential administration and to regain the power that had been "*seized by private corporations and clans*". This process is often referred to as 'strengthening the power vertical' (укрепление вертикали власти).

The idea behind the vertical is that power should be concentrated at the top so that all administrative branches and fields of activity are ultimately accountable to it. Basically the president—now in tandem with the prime minister—reserves the right to intervene in any question irrespective of its size or subject.

However, the power vertical is not an objective or value-free concept, but one formulated by the spin

doctors working for the presidential administration. The term conjures up an image of a streamlined and effective system, which does not entirely correspond with Russian reality.

### The ideal versus the reality

Putting the regions in order marked the first brick in the house that Putin built. The president created seven federal districts with president-nominated heads and radically altered the composition of the upper house of the Russian parliament, the Federation Council, by ousting the governors. He also replaced the direct election of governors with the presidential right of nomination. The potential for governors to step out of line seemed all but gone.

In reality the consensus between the regional and central elites is often hollow. Although the federal centre clearly has the upper hand on paper, this is not always the case in practice. The loyalty is based on an informal contractual relationship between the centre and the regions. In practice, the loyalty of the regional elites needs to be secured by the centre through favourable political decisions and financial handouts.

The Kremlin's true power is questionable, in particular in ethnic conflict-ridden republics such as Chechnya. In practice, it seems that the Chechen president Ramzan Kadyrov has carte blanche for brutal and criminal action as long as he does not publicly question the centre's authority. It is, in fact, the centre that is a hostage to fortune.



Photo: Pitkina (Wikimedia Commons)

Similarly, Tatarstan's Mintimer Shaimiev and Moscow's Yuri Luzhkov have been able to call the shots with the government rather than the other way around.

Making the over-powerful business tycoons, or the so-called oligarchs, toe the line was the second brick in the construction of the power vertical. The president and about twenty oligarchs met in July 2000 and allegedly struck a deal whereby the latter would stay out of politics on the condition that their shady acts during the days of privatization would not come under scrutiny. Those few who did not obey the new rules were either crushed or forced to flee the country.

As a direct consequence of this rule change, those oligarchs who stayed became 'state oligarchs'. As Oleg Deripaska, one of Russia's wealthiest men, put it in 2005 "*if the state says we need to give it [RUSAL, the world's largest aluminium company] up, we'll give it up. I won't separate myself from the state. I have no other interests.*" The danger could lie in the fact that for Russian businessmen competition for the Kremlin's favour comes first and the economic competitiveness of their companies in world markets only second.

The other consequence of the change was that the state, and high state officials privately, have substantially enhanced their share of big business in Russia during the 2000s—often by dubious and corrupt means. The state now controls the economy, especially through its dominant position in the so-called strategic sectors, and the energy sector in particular.

The rules between the state and large corporations have remained informal. This blurring of the lines of responsibility and ownership feeds abuse and corruption. Putin tamed the oligarchs but simultaneously created an arbitrary and even less transparent system where private property and investments are left to the whims of chance. Undermining the protection of private property and investments coupled with the inefficient management of the state corporations increase the vulnerability of the economic system.

The third brick in the power vertical that Putin built was the restructuring of the political space in Russia. Putin got rid of the non-party list seats and thus effectively eliminated all independent candidates from the State Duma. In addition, new parties were stymied in their efforts to compete in parliamentary elections: the parties need country-wide presence, with 50,000 members and 200,000 signatures to support them, and the vote threshold was lifted from 5 to 7 per cent of the total amount of votes. These formal changes together with more unconventional methods—such as harassment, pressure, the abuse of administrative resources and strong media bias—have led to the current situation where the party of power, United Russia (Единая Россия), is enjoying an absolute majority in the Duma for the second time running, the presidency is inherited rather than won in open competition, and critical political debate has been marginalized. The political sphere lacks democracy, transparency and almost all bottom-up initiative.



Photo: Katri Pynnöniemi

The stability that this system offers is not well-rooted for two key reasons. First, political power is highly personified and transferring it from one person to another is clearly very problematic. Much of the power that President Medvedev and, in particular, the United Russia has still depends on Putin. Second, the system does not offer effective legitimate channels to express dissatisfaction with the leadership. The dissatisfaction is not that widespread at present, but there are bound to be rockier times ahead. One can only hope that when that happens, the pent-up dissatisfaction does not explode.

The final brick in the power vertical was the restructuring of the civil society. Putin established a Public Chamber (Общественная палата), an advisory body of civil society actors, and revised legislation regarding the activity of non-governmental organizations (NGOs). These measures reflected Putin's desire to extend his vertical to the civil society. The idea was to benefit from the positive output of civil society activism, yet eliminate the dangers it potentially posed to the ruling elite. The organizations that were considered harmful to elite interests were accused of a non-constructive attitude or extremism and their activity was reduced or eliminated altogether. This was facilitated by the 2006 amendments to the law against extremism and to NGO laws on foreign funding, and stringent new registration and reporting requirements.

In practice the Public Chamber has turned out to have very little influence of any kind on Russian society. As US scholar James Richter phrased it, the Public Chamber reproduces "*the patterns of Russian*

*officialdom that it was supposed to monitor and control*". It is unrealistic to expect that one could de-politicize the non-governmental sector and at the same time reap the benefits of critical thinking and civic action. Increased state control and bureaucratization gradually sap the motivation of the civil society.

The lack of supervision and clear lines of responsibility between the state and society creates a fertile breeding ground for corruption. Despite Putin's anti-corruption bluster, corruption actually seems to have increased during his reign. The country's score in the Transparency International Corruption Perceptions Index was 2.1 in 2008 whereas in 1999 it was 2.4 (the higher the score, the less perceived corruption there is in the public sector). Russia currently shares 146th place with Cameroon, Ecuador, Kenya, Sierra Leone, East Timor, Ukraine and Zimbabwe—out of a list of 180 countries.

To sum up, when examining the actual working dynamics of the power vertical, the structure looks far more fragile than the term would suggest and the current political situation in Russia would indicate. Even if one disregards the moral dilemmas connected with the construction of the power vertical, considerable problems remain: the system creates inefficiency, encourages corruption and is hostile to the critical thinking that would question decisions and generate new ideas. The power vertical lacks legitimate feedback channels and this makes it vulnerable to changing conditions.



Photo: Tero Mustonen

### The inescapable need to modernize

The Russian leadership acknowledges that Russia needs to prepare for changes. Without significant input, Russia's infrastructure will unravel, the population will continue to diminish and the oil will run out before too long.

Putin's successor, President Dmitri Medvedev, has recently stepped up to the plate, admitted the major shortcomings of the current system, and initiated an extensive modernization plan for Russia. This move—coupled with expressions of a more positive nature towards political pluralism, and his cheery and youthful image—has raised hopes in the West of a return to liberalism in Russia.

Medvedev's recipe for change is the 'computerization of Russia'. He suggests that the modernization of Russia should be propelled by technological development, adopting new methods of communication and research, importing technologies and even foreign industrial standards from the West to cure Russia's industrial backwardness. Medvedev outlines five key areas for modernization: medical technology, energy efficiency, nuclear energy, space technology and telecommunications, and strategic and information technology.

Although Medvedev claims that both the economic and political spheres are in need of modernization, his priorities are clear: economic development comes first. The political system's modernization should emerge gradually from economic achievements in a highly controlled fashion. Medvedev's guardedness

about democracy reflects the relatively common Russian way of thinking. In the Russian debate it is often claimed that liberal democracy is not necessary for modernization.

Medvedev is careful to situate problems related to corruption and the absence of innovative development outside of the power vertical. By characterizing the autocratic mode of governance, corruption and paternalism as 'bad habits' of the Russian people rather than features of the Russian political system, Medvedev has avoided challenging the system. The logic seems to be that once the Russian economy has been modernized, the bad habits will disappear and be replaced by better, modern practices which will enable the construction of a more liberal political system.

The weaknesses in Medvedev's modernization plan are quite apparent. Modernizing the economy is difficult in a system where the elite directly benefits from its backwardness and raw-material dependency. Furthermore, corruption is extremely difficult to root out in a closed, top-down system where the lines of responsibility are unclear. Hence, it seems unlikely that innovation-led growth and modernization of the economy will be achieved unless political openness and competition are encouraged simultaneously.

Moreover, Medvedev's limited authority as Russia's leader seems to be getting even weaker. In November 2009, Forbes magazine listed the most powerful people in the world: Putin ranked third, but Medvedev was way down the list in 43rd position. Putin has recently dropped hints in public that he is



Photo: Oleg Kozlovsky

likely to make a presidential comeback in 2012. Such rhetoric is eating away at Medvedev's credibility as a political leader even today.

### Medvedev's bottom line

Even if Medvedev were to put all his skills and energy into Russia's modernization project, it would be unlikely to succeed. However, it is much more probable that despite the fine rhetoric, he is not even going to try and the power vertical will be left more or less intact.

On closer inspection, Medvedev's comments reveal that he does not intend to fundamentally reform the current party system, nor the way elections are carried out in Russia. According to Medvedev, Russia's current party system has "*stood the test of time*" and Russia's democracy functions well enough, too. Even the massive election fraud that took place during the local elections in October 2009 and the parliamentary walk-out that ensued did not change Medvedev's opinion on this matter. He is naturally in a weak position to criticize the system that put him in power. The amendments to the election system that Medvedev has suggested are superficial. They will do nothing to change the basic mechanisms of the manipulated system.

Moreover, Medvedev's vision of state-civil society relations does not differ much from Putin's power vertical. Despite hinting at easing the tight NGO legislation, Medvedev seems to divide NGOs into 'constructive' organizations working in the social

field and 'non-constructive' political ones—just like Putin did before him. Very little is expected to change in centre-region relations either. According to Medvedev, there is no need to re-establish direct popular elections for regional governors "*either now or in the next 100 years*".

If Medvedev manages to push for some positive reforms during the latter half of his presidency, they are likely to be in the economic field. Medvedev has talked about the need to end 'state-capitalism' and curb the inefficiency and corruption connected with it. To this end, he ordered an official investigation into state corporations by the prosecutor general. The results of the audit were published in November 2009. On the basis of the received information, Medvedev concluded that some companies operating in a competitive environment should be turned into limited companies and others should have a set lifespan. He has also requested the government to draft amendments to the current legislation that would enhance transparency in the activities of state corporations. These initiatives are naturally just baby steps—but baby steps in the right direction.

### What should and could the West do?

Western actors should not nurture false hopes regarding Medvedev's proclaimed liberalism. Branding Medvedev as the 'liberal' and Putin as the 'anti-liberal' would be re-invoking the mistaken simplicity of the Western thinking of the 1990s. Medvedev and Putin are not representing two distinct lines of thought. To a considerable degree,



Photo: European Commission

they share the same agenda—only with slightly different wording and emphasis.

It is doubtful whether the Russian economy can be modernized without getting rid of the power vertical and its corrupt mechanisms altogether. Radical systemic change is certainly not on the agenda and therefore the modernization plan is likely to advance slowly and unevenly.

It should be acknowledged that there is no such thing as a quick fix for Russia's systemic problems. Therefore, the policy towards Russia should combine pragmatism with a more principled policy. Taking up human rights problems and the weaknesses of Russian democracy should be combined with active cooperation in other fields. Western actors should encourage economic and political reforms in Russia and engage with it through international cooperation on specific issues such as anti-corruption policy.

It would be ill-advised to base relations purely on economic logic. Western actors should not attempt to exploit the underlying weakness of Russia for economic gain. Instead, they should take a longer perspective in an attempt to regain Russia's confidence by stepping up engagement with the country.

Medvedev apparently sees the West as a source of the high-tech and know-how that Russia so desperately craves. The West should use this opportunity to engage actively with the country, yet at the same time openly and consistently hold onto those issues that are important to the West. These include the protection of investments and private property, ensuring the security of journalists and human rights activists, and the effective implementation of anti-corruption measures.

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