Elite Bargaining and the Evolution of Centre-Periphery Relations in Post-Soviet Russia: A Comparative Analysis

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ACADEMIC DISSERTATION

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Abstract

This work is concerned with presenting a modified theoretical approach to the study of centre-periphery relations in the Russian Federation. In the widely accepted scientific discourse, the Russian federal system under the Yeltsin Administration (1991-2000) was asymmetrical; largely owing to the varying amount of structural autonomy distributed among the federation's 89 constituent units.

While providing an improved understanding as to which political and socio-economic structures contributed to federal asymmetry, it is felt that associated large N-studies have underemphasised the role played by actor agency in re-shaping Russian federal institutions. ***It is the main task of this thesis to reintroduce /re-emphasise the importance of actor agency as a major contributing element of institutional change in the Russian federal system.***

By focusing on the strategic agency of regional elites simultaneously within regional and federal contexts, the thesis adopts the position that political, ethnic and socio-economic structural factors alone cannot fully determine the extent to which regional leaders were successful in their pursuit of economic and political pay-offs from the institutionally weakened federal centre.

Furthermore, this work hypothesises that under conditions of federal institutional uncertainty, it is the ability of regional leaders to simultaneously interpret various mutable structural conditions then translate them into plausible strategies which accounts for the regions' ability to extract variable amounts of economic and political pay-offs from the Russian federal system.

The thesis finds that while the hypothesis is accurate in its theoretical assumptions, several key conclusions provide paths for further inquiry posed by the initial research question. First, without reliable information or stable institutions to guide their actions, both regional and federal elites were forced into ad-hoc decision-making in order to maintain their core strategic focus: political survival.

Second, instead of attributing asymmetry to either actor agency or structural factors exclusively, the empirical data shows that both agency and structures interact symbiotically in the strategic formulation process, thus accounting for the sub-optimal nature of several of the actions taken in the adopted cases. Third, as actor agency and structural factors mutate over time, so, too do the perceived payoffs from elite competition. In the case of the Russian federal system, the stronger the federal centre became, the less likely it was that regional leaders could extract the high degree of economic and political pay-offs that they clamoured for earlier in the Yeltsin period.

Finally, traditional approaches to the study of federal systems which focus on institutions as measures of "federalism" are not fully applicable in the Russian case precisely because the institutions themselves were a secondary point of contention between competing elites. Institutional equilibriums between the regions and Moscow were struck only when highly personalised elite preferences were satisfied. Therefore the Russian federal system is the product of short-term, institutional solutions suited to elite survival strategies developed under conditions of economic, political and social uncertainty.

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Introduction

As presented in the abstract, the establishment of the Russian Federation took place under extreme political, economic and social circumstances. In theoretical terms, on the path to regime consolidation, Russia's transition took place under conditions of institutional uncertainty.[1] In substantive terms the federal centre, whether it was Yeltsin's administration or its Soviet predecessor suffered through a serious legitimacy crisis and subsequently experienced a precipitous decline of their administrative control over the economy and political institutions throughout the country.

Meanwhile in the regions, the decision-making vacuum that was forming at the federal centre allowed for the regional administrative elite to fill the institutional void by becoming political entrepreneurs. With the central elite unable to give the appropriate policy signals, the regional elite sought to fortify their own positions by any means possible as a way of insuring their particular interests and positions while simultaneously creating a bulwark of local support against any future re-centralisation attempt by the federal centre.

What makes the Russian federal case appropriate for further scientific enquiry is not the pace or the direction at which institutional reform occurred after the collapse of the Soviet Union. Instead, it is the phenomenon of just ***to what extent regional elites, under conditions of institutional uncertainty, were able to organise their specific preferences at the regional level and in turn influence the structure of the federal system***.

The Problem

To put it bluntly, how much explanatory power can be garnered from any paradigm when the model's main dependent variable, in this case federal institutions, have collapsed or ceased to exist?

The post-Soviet Russian federal system[2] poses specific challenges to which traditional institutionally based approaches lack the necessary substantive insight or theoretical clarity in order to garner an acceptable level of scientific inference.
One of the first obstacles posed by the Russian case is the nearly complete collapse of the federal centre as a relevant domestic, institutional actor following the collapse of the USSR in 1991. If Yeltsin's famous quote concerning the regions seizing as much democracy as they could handle indicates anything in terms of the status of federal administrative power at the time, it would be that the centre elite did not have the power to maintain the federation by coercion alone. Instead the federal elite sought to legitimise itself through the ceding of the agenda-setting initiative and relevant policy-setting responsibility to the regions themselves.

The second obstacle to traditional approaches to Russian federalism is the opaque nature of regional elite preference formation and strategic choice. Questions surrounding just who the visible regional actors were in terms of their professional backgrounds or their relationship to the regime-ancient are seemingly over-emphasised. Additionally, an intense focus is placed on structural conditions existing within the regions at any given time. These two factors are treated mutually exclusively;

[1] Gel'man, V. Sergei Ryzhenkov & Michael Brie (2005): *Making and Breaking Democratic Transitions: The Comparative Politics of Russia's Regions* Rowman & Littlefield
[2] Andreas Schleifer and Daniel Treisman, "A Normal Country", *Foreign Affairs*, Vol. 83 No. 2 March/ April (2004)

yet they serve as the main explanatory factors for federal asymmetry. Subsequently, governors, opposition leaders, and even political parties are neutered in terms of their ability to make strategic choices due to the established conviction that the "environment" under which policies are adopted greatly determines strategy without any serious consideration of an actor's own perception of existing circumstances.

The third fault of the traditional approach is that it assumes that both the structures of the federal system and to a certain extent, actors' perceptions of the system itself are again clearly delineated along hierarchical lines which are set in stone. As the thinking goes, regions have preferences that are separate from those of the federal centre and vis-versa. As will be demonstrated in the case studies, flows of economic rent, legislation and the implications of social change cross administrative borders regardless of their point of origin or their target audience.

The formal division of labour also ignores the symbiotic relationship among actors' perceptions of the current conditions under which they compete; the changing structures of the policy environment; and the optimality of resulting actor agency. Conversely, if the points above are accurate, then under conditions of institutional uncertainty, actors, the structures that they perceive as important to determining their particular preferences and their eventual strategic calculus are also subject to increasing amounts of change.

The Theoretical Assumptions

Based upon the problems identified with the traditional division of labour model of federal systems presented in the previous section, several crucial starting points for the thesis' model need to be set out prior to its description. Underpinning the thesis' logic are several neglected, theoretical assumptions. These are:

- Transition denotes a period of systemic uncertainty, in which state institutions are in flux or collapse completely;

- In the absence of institutions, individual actors with access to specific resources fill the institutional void and ultimately influence how the state and economy will evolve through competition over their own economic and political interests;

- Owing to the lack of full information, actors are limited in their ability to accurately interpret the changing policy environment and therefore both regional and federal elites follow a very general strategic path towards fulfilling their political and economic goals; and

- Russia's constituent federal units may provide an excellent example of how highly differentiated political and economic interests of regional actors play a central role in the reshaping of economic, policy institutional arrangements and overall social conditions throughout the country's federal system.

The Structure

This thesis is divided into four components. The introduction details the dissertation's research design, methodology and cases. The second section provides an extensive review of four key concepts which contribute to the basis of the dissertation's theoretical model. The third part presents the empirical data garnered from the three case studies as related to the adopted theoretical

framework. Finally, in section four, an analysis of the dissertation's findings are presented in the concluding section.

Research Design

This thesis maintains that the inclusion of a generalised formulation of Gerard Alexander's model of democratic consolidation may aid in conceptualising the degree of observed variation in asymmetry among Russia's constituent units and the federal centre from 1991 to 2000.[3]

For Alexander, regime consolidation does not solely rest with the rational formulation of and successful competition over differentiated regime preferences by elite groups. On the contrary, owing to the complexity of interaction among interests, actors and structures involved, regime outcomes cannot be modelled as one-off results. Instead, regimes are the consequence of equilibriums among the various independent factors, which, too change over time.

To overcome the challenges associated with "causality" presented by such a formulation, Alexander posits that regime preferences ultimately depend upon the elite's perception of expected pay-offs associated with one regime type or another:

"'Expected payoffs' connect actors' *basic preferences* and perceptions of regime alternatives on the one hand, to regime preferences they form on the other."[4]

Under circumstances of institutional change, the elite will only enter into a new institutional arrangement if its core interests, political power and economic wealth, are guaranteed to the maximum extent allowed by prevailing structural conditions over time. How such consensus is ultimately struck depends upon the elite's perceptions of the eventual cost and benefits incurred by lending their support for one regime versus another. These payoffs, translated into induced regime preferences, such as institutional structures or ethnicity, are based on expected benefits generated from the new institutional arrangement. Elite perceptions concerning the institutional bottom line cost benefit calculation are heavily dependent on information concerning the predictability of competing actor agency, suitability of the proposed institutional arrangement and prospects for longevity for the new regime.

How Elites Bargain: Alexander's Model

At this juncture, it would not be counter intuitive to propose a simple rational choice formulation to explain systemic asymmetry observed in Russia's centre-periphery relations, such as espoused by proponents of path dependency. However it is argued throughout the dissertation that the crucial issue is not solely ***what*** interests the competing elites are attempting to maximise, or the degree to which the factors are present in each case, but ***how*** the elite manipulate the four factors in the pursuit of their ultimate political survival which determine federal institutional change.

Three simple questions need to be asked before discussing the role that elite strategic agency may explain the asymmetric circumstances observed among the regions and the federal centre in post-Soviet Russia. Firstly, we need to identify ***who*** were the main actors that were active in changing the face of the Russian federal system; and ***what*** were their core interests which they were attempting to maximise through institutional change. The second step is to identify just ***how***

[3] Alexander, G. (2002): *The Sources of Democratic Consolidation* (Cornell University Press: New York).
[4] Alexander (2002) p. 44

competing actors figured that they would be able to institutionally maximise their core preferences. Finally, we need to ascertain ***why*** a certain group of elites chose one particular strategy over another for their maximisation strategy.

Who and What?

In many ways, the observed structural circumstances of Russian federalism following the collapse of the Soviet Union in 1991, mirror conditions witnessed during democratic consolidation process in Europe during the 1970s. In the Russian case, the division of the Soviet Union's ruling class began to ferment when the country's top decision makers began to doubt the political and economic value of continuing to underwrite the country's long term socio-economic welfare plans. As argued by Glinski & Reddaway (2001) this fundamental strategic shift undermined a major legitimising factor for the Soviet regime: the egalitarian distribution of political power and economic wealth among all the levels of Soviet society.

Once the egalitarian principle was abandoned, Soviet institutions began to crumble and the resulting institutional space allowed for new actors, ranging from reform communists to Soviet intellectuals, to enter the political fray where once the country's communist party held a monopoly over policy formation and implementation. These newly minted actors did not only trace their political roots back to the federal level in Moscow, but had links in regional constituencies, too. The further the centre's institutional decline progressed, the clearer the divide among the regional groups and the federal centre became. From these developments it is theoretical feasible to model the nascent Russian federal system as being dominated by two competing groups of administrative elite: regional and federal.

Second, as mentioned earlier, the federal elite were not in any strategic position to use coercion in order to maintain the Soviet federal system. Prior to the outright collapse of the Soviet government, the federal elite were at war against themselves. For the sake of brevity, two major factions populated the federal stage: the remnants of the old regime under Gorbachev and the opposition headed by Yeltsin. Both factions in their push to defeat one another for the federal throne utilised the regional elite against their federal rivals.

Owing to the failure of the August coup, the Yeltsin camp learned two valuable strategic lessons from Gorbachev's demise. First, the regions could be a source of political legitimacy for the federal centre, and second, traditional forms of coercion by the federal elite against the regions would only hasten federal downfall at the possible expense of the country's ultimate disintegration into 89 mini-states. There was structural room for inter-elite bargaining over the eventual regime type to be consolidated in a post-Soviet Russian state.

How?

However, the structural balance that needed to be maintained among federal and regional economic and political interests would be very delicate; and obtaining consensus based on the distribution of payoffs among the elite would be a contentious process of re-negotiation as time went on. That having been said, the outcomes of elite competition in post-Soviet Russia were by no means guaranteed. In earlier stages of the regime consolidation process, the rules of the game were much wider than the constraints observed later on in the 1990s. As time progressed following the collapse of the Soviet Union, the Russian federal system became more institutionalised as actors at both the regional and federal level began to impose their particular strategic preferences through policies in the regions and at the federal centre.

Despite the gradual balancing effect of institutional reformation throughout the 1990s, the relationship among the regions and Moscow was highly unpredictable. Owing to the continuing institutional uncertainty of the federal centre, three strategic choices for the regional elite in relation to their federal competitors may be discerned. Regional elites could chose to remain within the federal framework and allow Moscow to set the political and socio-economic precedent; the second option would see the region itself setting the policy agenda at the expense of Moscow, but remaining within the federal system; or the final option would see the region opt out of the federal agreement entirely and become fully independent from any regime type consolidated by the Russian elite.

Why?

The major implication of institutional uncertainty at the centre of the Russian Federation was the high degree of economic, social and political autonomy observed among the federation's constituent units and the federal centre (Kahn 2002; Fillipov & Shvetsova 1999; Hahn 2003). These newly minted institutional equilibriums displayed a high level of asymmetry with Moscow individually. In addition, regional relations with Moscow differed to a great extent with one another on a case by case basis. Under such differentiated conditions, exclusively identifying the degree to which the contributing factors are present in each case does not give a basis to formulate a generalisable and testable hypothesis according to which the model's explanatory power may be evaluated.

Instead, support for the hypothesis must be defined by linking the maximisation of elite core preferences the contributing factors to their ultimate strategic regime choice. In Table I (column 3) the basis for a testable and generalisable hypothesis is produced to illustrate the relationship between regime choice and core interests. Under conditions of institutional uncertainty at the federal centre, regional elites are afforded an increasing amount of room to manoeuvre in pursuits of their own political, economic, social and institutional interests.

Therefore, the thesis hypothesises that ***under conditions of institutional uncertainty at the federal centre, the variable degree of observed regional autonomy within the Russian federal system from 1991-2000 is attributable to the degree to which the regional elite's is able to maximise control regional economic, social, and political powerbases***.

The relationship among regional autonomy and the maximisation of their regional powerbases is direct and positive. The more the regional elite is able to consolidate its hold over regional structural factors, the more likely it is (assuming institutional uncertainty at the federal centre) the region will extract a higher level of autonomy (political, economic social and institutional concessions) from Moscow.

Operationalising Core Interests, Regime Preferences, & Autonomy

Before concluding the presentation of the model, the question concerning how to define autonomy within the Russian federal context outside the traditional measures of static divisions of decision-making competency among the regions and Moscow.

Below is the complete presentation the three elements of Alexander's model modified for application to the Russian Federal case (Table III). Regional and federal elites are competing to maximise their political power and economic wealth at the expense of one another's own particular

core preferences (column I). In the pursuit of maximisation both groups seek regime types that will fulfil their core interests: either decentralisation / agenda setting dominated by regional elite; centralisation / agenda setting by the Federal elite; or full independence on the part of the region (column II). These regime choices are based upon the pay- offs that can be derived from the particular regime type (column III).

Actors & Core Preferences (Who & What?)	Regime Alternatives / Induced Preferences (How?)	Expected Pay-offs (Why?)
Actors determine their ability to maximise core preferences by assessing the degree of control they may extract over political agenda setting and economic flows vis-à-vis the federal centre.	Increased influence over regional socio-economic strategy, political structures & institutional development.	Increased regional control over ownership of economic flows, along with political and social policy agenda setting.
	Minimalised political / social agenda setting, institutional autonomy, and control over economic flows by the regions.	Structural stability within the federal system; regions to benefit from political and socio-economic redistribution initiated by federal legislation and institutional mechanisms.
	Full maximisation of political agenda setting; full ownership of financial flows; institutional structure independent of all federal agencies; separate nationalism / identity discourse.	Full regional control over political agenda setting; full ownership of financial flows; institutional structure independent of all federal agencies; separate nationalism / identity discourse.

Table I: Operationalisation of Federal & Regional Preferences & Payoffs in the Russian Federal Context

According to the hypothesis, the variation regional autonomy is connected with the regional and federal elites' perceptions concerning the type and amount of concessions the regions may be able to extract from the federal centre. Based upon this logic, four structural factors are used to examine and define the degree and type of autonomy negotiated by the regions and Moscow.

- **Degree of political power**: Has the regional elite consolidated its powerbase to limit political initiatives on the part of the federal centre? Observable evidence of the degree of political power includes the staffing of crucial political positions with regional cadres, regional elite turnover observed in regional ministries, the marginalisation of regional opposition parties, and political oversight or manipulation of the regional media for political gain.

- **Control over economic flows**: Is the region home to large industrial assets or a repository for natural resources? Or does the region depend upon the federal budgetary transfers for economic and financial support? Data for this factor includes regional contributions to the Federal budget, ownership over regional firms, the degree of control over rent flows from regional industries to the federal centre and vis-versa.

- **Degree of ethnic nationalism**: To what degree are nationalism / ethnicity activated in the competition over regional / federal relations? Beyond demographic numbers, are there ethnic based intellectual movements in the regions, are political parties based on the ethnicity / nationalism platform? Do regional leaders cloak themselves in the national discourse? Is the language or nationality issue present in regional institutional structures? Is there a socio-economic differentiation among the titular nationality and the Russian population?

- **Institutional dissonance**: bi-lateral agreements were signed with 46 of Russia's 89 constituent regions; what role did these autonomy contracts play in the asymmetric nature of federal / regional relations? Did the regions comply with federal level initiatives such as the plebiscites for the new Russian Constitution, the creation of a federal presidency or did the regional elite form parallel institutions and legislation to counter the encroachment of federal power?

It is the contention of this thesis that the four structural factors above are not mutually exclusive; they interact with one another when regional elites are attempting to consolidate their domestic powerbases internally and possess knock-on effects observed at higher levels of the federal hierarchy. For example, economic value chains that formed the basis for the Soviet economy were centrally planned by Moscow, therefore economic rent cannot be fully localised. Resource flows from the periphery to the centre were dominated by federal monopolies, as in the case of the energy industry. Infrastructure on which regional industries depended to get their goods to markets in the country remained under federal control.

Nationalism and ethnicity also crossed internal boundaries due to the arbitrariness with which the regions were established by previous administrations. In terms of institutions, their influence and power also cross regional borders. If federal systems are an institutional attempt to distribute various costs and benefits among a disparate set of constituent units, then a policy to support the socio-economic improvement of one region must be supported by funds derived in another.

These initial observations undermine the ability of purely procedurally based attempts at determining why certain regions were able to maximise autonomy while others were not without treating the cases in a theoretical vacuum. The question here is not how much autonomy the regions would obtain from the centre in total; but to what extent the new federal institutional arrangement vis-à-vis the regions could be readdressed to maintain the structural viability of the whole federal system itself.

Methodology: Reasoning behind the Research Design

Since the thesis aims to re-examine the role which actor agency plays in the variation of federal relations, it would seem that a large N study emphasising quantifiable factors instead of actor agency would be counter-intuitive. What is under scrutiny here is not simple, uni-direction causality or the straight-forward measurement of a particular independent variable's influence over the object of study. Instead, the work examines the complex interrelationship of factors brought about by actor agency within the Russian federal system.
In the research design presented below, the cases that have been chosen act as literal and theoretical replications. Some Autonomous Republics possess certain qualities to degrees that others do not. In this way, following the replication logic, the design tests to see what degree the specific

independent variables influence the level of unit autonomy. Lijphart[5] points out that "…case studies can make an important contribution to the establishment of general propositions and thus to theory building in political science."[6] Lijphart's treatment of the role of case studies in comparative politics defines six types of case study, each with its own strengths and particular uses in the illustration of political phenomena. The type of case study most relevant to this research design is the *Hypothesis Generating Case Study*. [7]

The Hypothesis Generating Case Study starts out with the notion that there exists an unclear hypothesis that may be utilized in explaining a certain political hypothesis that factors with an eye to expanding the experiment to a larger set of cases later in the research process.

The ultimate objective is then to develop theoretical generalizations in areas where no theories exist yet. Such cases are of great theoretical value. They may be particularly valuable if the case selected for analysis provides what Naroll calls a sort of 'crucial experiment' in which certain variables of interest happen to be present in a special way.[8]

Therefore, the thesis adopts a multiple case study approach in order to test the adopted hypothesis. This approach is particularly suitable to treat the empirical data because what is under scrutiny here is not only a set of decisions taken at multiple levels of the Russian federal system. The importance of these decisions becomes increasingly clear after examining the timing of these policy actions, the extent of their implementation and how they are intertwined within their particular historical context.[9]

However, due to specific theoretical and methodological limits of the case study approach outlined below, it is important to the overall veracity of the thesis to test the validity of the empirical results.

Tests	Case Study Tactic	Phase of Research where Tactic Occurs
Construct Validity	• Use multiple sources of evidence; • Establish chain of evidence; • Have key informants review draft case study report.	• Data collection; • Data collection; • Composition.
Internal Validity	• Do pattern matching; • Do explanation building; • Do time series analysis.	• Data analysis; • Data analysis; • Data analysis.
External Validity	• Use replication logic in multiple case studies.	• Research design

[5] Arendt Lijphart, "Comparative Politics and the Comparative Method", *The American Political Science Review*, Vol. 65, No. 2 (1971), pp. 682-693
[6] ibid. p. 691
[7] ibid. p. 692
[8] ibid. p. 692
[9] Schramm (1971) cited in Robert Yin, *Case Study Research: Design and Methods* 3rd Ed. (London: Sage Publications, 2003), p. 47

Reliability	• Use case study protocol; • Develop case study data base.	• Data collection; • Data collection.

Table II: Case Study Validity Tests

In Table II we can see the preferred method for dealing with the evaluation of case studies as proposed by Robert Yin.[10] The overall assessment is composed of four individual tests each designed to evaluate the structural soundness of the research design's arguments throughout the various phases of the research programme.

- **Construct Validity**

The first test concerns the overall soundness of the research design by examining the number of factors employed to treat the empirical results and formulate the thesis' conclusions. From the perspective of this work, the establishing of an evidence chain is the most relevant challenge. Unlike quantitative large-N studies that rely upon the operationalisation of clearly measurable variables to illustrate descriptive inference in the research findings, case studies require the collection of sufficient empirical evidence to support the objectivity of the study's conclusions.

The challenge presented by the evidence clause is not primarily concerned with the amount of material collected, although gaps in the data can cause serious concerns for overall objectivity. Nevertheless, what is more crucial in terms of the data collected is its value as evidence to the study. Data should be relevant; the circumstances under which the material was collected should be consistent with and also link back to the study's initial research question and hypothesis.

- **Internal Validity**

The second test focuses upon the relationship among the factors described in the general hypothesis. What is being tested is the cohesiveness of the overall argument. Literally, is factor x responsible for the observable phenomenon y or is factor x mis-specified, due to the omission of another factor from the adopted paradigm? Owing to the lack of operationalised variables which may statistically evaluated for the degree of correlation, the case study relies upon explanation building to illustrate the presence or lack of linkages among observable factors identified in the study.

The internal validity of the case study relies upon the accuracy of the theoretical propositions included in the adopted model: the degree of pay-offs (federal concessions) garnered by the regions from the federal centre are determined by the ability of regional elites to organise their domestic powerbases. In order to determine the solidity of regional elites' power bases, the study needs to demonstrate that patterns of elite strategic agency along with the results of the concession process formally mirror one another among the three regions over time.

- **External Validity**

This third test centres on the generalisability of the study's findings beyond the case(s) included in the study itself. In layman's terms, generalisability is concerned with the "so what" factor associated with the study's findings. Can other researchers take the empirical foundations of the study's findings and apply them to another set of cases?

[10] Robert Yin, *Case Study Research: Design and Methods* 3rd Ed. (London: Sage Publications, 2003), p. 8

Due to the case study's use of inference to illustrate the overall argument's cohesion, instead of statistically derived correlations, generalisability can be a daunting challenge to the validity of the research's conclusions. One way this problem can be overcome is through replication of the initial experiment.[11]

Again from the dissertation's methodological perspective, replicability rests on the existence of identifiable, shared patterns discussed in the previous section dealing with internal validity. Since the thesis has adopted multiple cases (Autonomous Republics) which are similar in a formal, institutional sense as its subjects, it already repeats the exact experiment and evaluates the empirical results through a historical comparative analysis of the cases which differ in the degree to which they display the four structural factors.

If similar findings are derived from the comparison of each case, then the model may be applied outside the original test subjects. Replicability of the obtained results could then be evaluated among a larger set of cases. Eventually, the creation of a quantitative study would be the logical step to ascertain the relevance of the thesis' conclusions in the next phase of the research.

- **Reliability**

Generally speaking, the final test concerns itself with the ability of other scholars to duplicate similar results from the same empirical data that the original researcher obtained in the initial study. Not only do citations of the data need to be accurate, but the procedures adopted to collect and analyse the data need to be well documented in line with the overall case study protocol initiated in the data collection phases outlined in the initial research design and continuing with the data analysis covered by the internal validity tests.

How well the thesis matches up with the demands of the outlined tests will be described in the final section of the dissertation.

Cases

Based upon the well known physical, ethnic and institutional heterogeneity of the Russian Federation's constituent units, one may wonder why three autonomous ethnically defined republics[12] have been chosen for empirical analysis instead of providing a more diverse set of case comprised of non-ethnic Oblasts or Krais.

Firstly, it seems intuitively logical from the methodological perspective that due to the multitude of structural differences that exist among the various regions, a formal basis which unites the cases would ensure a common starting point to begin the empirical study. Secondly, according to earlier work concerning the faults of relevant large N quantitative studies[13], the nationalism factor has been over-emphasised in terms of its significance for elites' choice of strategic calculi and pay-off perceptions in the federal / regional bargaining games under investigation. Finally, by maintaining institutionally recognised status throughout the cases, we have a platform from which we can ask

[11] Arendt Lijphart, "Comparative Politics and the Comparative Method", *The American Political Science Review*, Vol. 65, No. 2 (1971), pp. 682-693

[12] For a discussion on the phenomenon of ethno-federalism in the USSR and its legacy for the Russian Federation see Sakwa, R. (2002): *Russian Politics and Society* 3rd Edition (Routledge: London) pp. 203-214.

[13] See Dusseault, D. M.E. Hanson & S. Mikhailov (2005): "The Significance of Economy in the Russian Bi-lateral Treaty Process" in *Communist and Post-Communist Studies* Vol. 38, Iss. 1, pp. 121-130

why each case region received varying amounts of payoffs despite their similar institutionalised ethnic status.

In Table III below, the general institutional, economic and ethnic characteristics of each of the cases is presented. While the formal institutional status of an Autonomous Ethnic Republic remains constant for each case, we can observe slight variations in terms of the economic and ethnic structural factors. In the final column we can see the expected level of autonomy that would be extracted by the regional elite from the federal centre. Owing to their autonomous status within the Soviet one could assume that these regions would be able to organise their interests apart from Moscow much easier than other units such as Oblasts and Krais that were subordinated to a more direct form of rule from Moscow.

Cases	Formal Institutional Status	Economic assets	Ethnicity	Expected Outcome in terms of Autonomy
Karelia	Autonomous Republic (USSR & RF)	Forestry & mining industry with limited manufacturing & agricultural sectors	Russian Majority	High autonomy from Federal Centre
Tatarstan	Autonomous Republic (USSR & RF)	Hydrocarbon extraction; petrochemicals; automobile industry; & developed agricultural sector	Slight Tatar majority w/ large ethnic Russian component	High autonomy from Federal Centre
Chechnya	Autonomous Republic (USSR & RF)	Hydrocarbon extraction; petrochemical industry; limited manufacturing & agricultural sectors	Overwhelming Chechen majority 1994 onwards	High autonomy from Federal Centre

Table III: General Structural Characterisations of the Empirical Cases

However, by advancing the analysis for each case beyond the concept of formal institutional status, general economic profiles and ethnicity the picture of the region on its own and subsequently in comparison with one another becomes more intricate. In the following three tables, each structural factor is presented as treated in associated large N studies by other authors. Table IV illustrates the

forms in which the institutional and ethnic structural factors manifested themselves in each of the three cases. Table V, focuses on the variation in the political factor and Table VI concentrates on socio-economic development statistics for each unit from the regional and federal perspective.

Cases	Political Power	Economic	Ethnic Policies	Institutional Dissonance
Tatarstan	• Declaration of Sovereignty; & • Independent Foreign Policy.	• Asserted Rights over Natural Resources; • Pressed for own currency	• Bi-lingual Language Law (1992); • Cultural Dev. Programme; • Administrative Preference; & • Education Policy.	• Adopted own Constitution; • Raised Administrative Status; • Asserted Legal Supremacy; & • Declared Independence.
Karelia	• Declaration of Sovereignty; & • Independent Foreign Policy.	• Asserted Rights over Natural Resources.	• Russian as official language; • Cultural / linguistic development guarantees.	• Adopted own Constitution.
Chechnya	• Declaration of Sovereignty; & Independent Foreign Policy.	• Asserted Rights over Natural Resources; • Pressed for own currency.	• Bi-lingual Language Law; & • Cultural / linguistic development guarantees.	• Adopted own Constitution; • Raised Administrative Status; • Asserted Legal Supremacy; & • Declared Independence.

Table IV: Operationalisation of Structural Conditions Observed in the Cases

In Table IV, the works of Treisman[14] and Gorenburg[15] which centre on forms of separatism (columns II, III, & V) and ethnicity policies (column IV) are presented. Two items stick out immediately when initially comparing the cases against one another. First, despite its formal ethnic status and formal cultural /linguistic guarantees, the Republic of Karelia is predominantly Russian in demographic. When compared with Tatarstan (slight Tatar majority) and Chechnya (increasing Chechen majority over time), Karelia's institutional ethnic status becomes questionable in the social context.

Secondly, despite similarities in terms of political and economic demands, the institutional dissonance also manifests itself differently among the cases. While each case region declared sovereignty, asserted their rights over regional economic resources, and formalised these changes within a republican constitutional framework, Karelia did not press its case as stringently as

[14] Treisman, D.S. (1997): "Russia's "Ethnic Revival": The Separatist Activism of Regional Leaders in a Post-communist Order" in *Europe-Asia Studies* Vol.49, Iss.2, pp. 212-249.
[15] Gorenburg, D. (1999): "Regional Separatism in Russia: Ethnic Mobilisation or Power Grab?" in *Europe-Asia Studies* Vol.51, Iss.2, pp. 245-274.

Tatarstan and Chechnya. Both of the latter regions sought more in terms of their administrative status as well as domestic policy making competencies, and both Chechnya and Tatarstan declared independence, while Karelia did not.

Finally, there is a large degree of variation concerning the degree of "independence" over foreign policy. While Tatarstan was able to institutionalise itself as a foreign presence for a short period of time through the establishment of diplomatic missions abroad, Chechnya and Karelia's foreign policy consisted primarily of economic contacts with consumers outside the Russian Federation. The Karelian government's budget was augmented through sales of the region's raw timber to saw mills in Finland, while Chechnya's oil was sold downstream throughout the Caucasus region.

Cases	Percentage of Party Representation [16]	Dependent Variables	Independent Variables
Tatarstan	• CPRT (3.1) • Ittifak (0.8) • Unity & Progress (0.8) • QPO (5.4)	• PDPC: 10.0 • PCPC: 35.6 • PCPS: 1.3 • ICPS: 2.4	• EPCEM: 0 • CYV: 19.5 • WADM: 1.0 • ANVPS: 20.4
Karelia	• LDPR (12.5) • CPRF (8.9) • OHIR (3.6) • Yabloko (3.6)	• PDPC: 28.6 • PCPC: 23.8 • PCPS: 1.2 • ICPS: 4.0	• EPCEM: 1 • CYV: 22.9 • WADM: 1.6 • ANVPS: 9.4
Chechnya	NA	NA	NA

Table V: Relevant Political Indicators from Large-N Assessments by Golosov[17]

In Table V, Golosov's analysis[18] of the various dimensions of Russia's political party system at the regional level is presented. The large N study sought to divine the sources for regional party development by hypothesising the main impetus for political party development were either derived from elite utility or popular support within society. His investigation of the 1994 regional parliamentary elections gives additional structural context to the thesis' cases studies.

[16] Golosov, G. (1999): "From Adygeya to Yaroslavl: Factors of Party Development in the Regions in Russia, 1995-1998" in *Europe Asia Studies* Vol.51, No.8 pp 1344-1345.

[17] The dependent variables for the two regression analyses carried out by Golosov (1999) are displayed in columns III & IV. In column III the dependent variables include the Shares of party Deputies in Regional Assemblies (PDPC), the Percentage Shares of Party Candidates (PCPC), the Average Number of Party Candidates per Seat (PCPS) & the Average Number of Independent Candidates per Seat (ICPS). In column IV, the independent variables are displayed: Regional Executive Power Change by Electoral Means (EPCEM), Combined Percentage Shares of the CPFR and Yabloko Vote in 1995 Duma Elections (CYV); Weighted Average District Magnitude in Regional Assembly Elections (WADM) & Average Number of Votes per Seat in Regional Assembly Elections, in thousands (ANVPS). See Golosov, G.(1999): "From Adygeya to Yaroslavl: Factors of Party Development in the Regions in Russia, 1995-1998" in *Europe Asia Studies* Vol.51, No.8 pp1333-1365.

[18] Golosov, G. (2002): "Party support or personal resources? Factors of success in the plurality portion of the 1999 national legislative elections in Russia" in *Communist and Post Communist Studies* Vol.35 pp. 23-38 & (1999): "From Adygeya to Yaroslavl: Factors of Party Development in the Regions in Russia, 1995-1998" in *Europe Asia Studies* Vol.51, No.8 pp1333-1365.

The basis for the electoral study was the supposition that the more powerful the regional elites were, the more likely their gatekeeper status would impede regional party development and thus limit electoral pluralism. While the study's findings confirmed this inference, some interesting contradictions appear among the regional cases themselves.
It is worth noticing that despite Karelia's ethnic status, no political party with ethnic ties is presented in the analysis' party list, whereas in the Tatar case, Ittifak, the popular nationalist party is represented in the table and garnered seats in the regional parliament. Instead the major parties in Karelia were ones based at the federal level: Zhirinovsky's Liberal Democrats (LDPR), the Communist Party of the Russian Federation (CPRF) Our Home Is Russia (OHIR) and Yavlinsky's Yabloko.[19]

It also seems that based upon the presence of political parties alone, both Tatarstan and Karelia display the traits of pluralist electoral competition. However, when taken into context the results for the democratisation index below (Table VI column III), the viability of the parties and their political influence come into question in the case of Tatarstan.

Cases	Human Development Index ('04,'05,'06)	Democratisation Index ('91-'01/ '99-'03/ '00-'04)	Quality of Life Index ('03,'04,'05)	Other Relevant Socio-economic Indicators
Tatarstan	.812/.822/.834	23/22/23	.697/.735/.758	• GRP %: 158 • IPC%: 131 • FBTPC: 17/179/99
Karelia	.742/.762.772	41/39/41	.697/.697/.702	• GRP %: 148 • IPC %: 77 • FBTPC: 118/124/94
Chechnya	NA	NA	NA	• GRP %: NA • IPC %: NA • FBTPC: 148/755/588
Russian Federation Aggregate	.781 /.792/.805	27.5/28.3/28.6	.681/.703/.722	NA

Table VI: Relevant Socio-economic Indicators from Large N-Studies

Despite having several parties contesting the 1994 parliamentary elections, the score for Tatarstan is twice as low as the Karelian result and several points lower than the Russian average. From this perspective, a preliminary observation in line with Golosov's conclusions would be that political parties, at least in Tatarstan, are partially product of regional inter-elite competition, and not solely

[19] Again, the perforation of federal and regional political interests along with the seemingly formal nature of the ethnic/nationalism factor points to a much more complicated composition of interests manifested in the factors themselves which cannot be accounted for by large N statistical analyses.

the result of popular political will and organisation. In fact this hypothesis is partially supported by Golosov's findings that despite the presence of multiple parties, electoral pluralism did not bring about a change in the regional executive branch (Table V: EPCEM 0).[20]
In Table VI, several crucial socio-economic and political structural indicators produced by the Independent Institute for Social Policy[21] have been collected and organised according to the thesis' cases. Although several of the economic statistics are taken following the time period outline for the thesis, they are useful for this study for they demonstrate similar socio-economic traits that were observed from 1991-2000.

According to the Human Development Index and the Quality of Life Index scores, Tatarstan is an above average unit within the Russian federal context in terms of its economic wealth and living standards. Karelia as expected is poorer than Tatarstan in terms of observed socio-economic indicators, but is on the whole not far below the Russian Federation's average scores.

Concerning Chechnya, even though the majority of the data is missing, analysing the statistics for the percentage of the regional budget accounted for by Federal Budgetary Transfers (FBTPC, Table VI, column V) indicates just how dire the region's social economic status is to this day. Already in 2000, federal transfers accounted for more than 148 percent of the regional budget. In comparison, Karelia, due to continuing under-development, received 118 percent of its budget from federal sources. As expected, Tatarstan in 2000 only received 17 percent of its budget from federal funds.

Despite the commonality associated with the cases' formal autonomous status, what has become clear from this precursory analysis is that the relationships among the four factors within the cases individually are spurious and escape the temptation to make immediate generalisations concerning the extent to which the factors are present and the expected outcomes.

The apparent lack of generalisability at this juncture also extends to the comparison of the cases to each other. Although one would expect that based upon their common autonomous status, Chechnya, Karelia and Tatarstan would also be similar in their ability to maximise their autonomy from the federal centre under conditions of institutional uncertainty during the Yeltsin presidency. However, once again, further historical analysis will prove differently.

[20] This having been said, in the Karelia, the findings were just the opposite. Electoral pluralism can be directly correlated with executive change. See Table V.
[21] All data incorporated into the table was taken from the indices provided by the Independent Institute for Social Policy's website. See <http://atlas.socpol.ru/overviews/econ_condition/index.shtml> accessed on 17.07.2009.

Review of Key Concepts

Since the purpose of the thesis is to re-evaluate the role of actor agency in federal regional relations in Post –Soviet Russia, the review section does not attempt to provide theoretical models to be tested against the empirical material in the case studies. Instead, this review provides a roadmap along which each of the four concepts has developed over time. The final manifestation of each of the concepts will then form the basis for the empirical analysis of the case studies. In the four part of the dissertation, the four fundamental concepts will be addressed in regards to the cases in turn. Subsequently, a synthesised analysis of the case study findings will be presented and conclusions will be proffered.

Four fundamental concepts play a significant role in explaining the bargaining processes that have influenced the character of Russia's federal system. The first section traces the evolution of the federalism concept from normative categorisations of federal systems to the conceptualisation of federal systems as the result of bargaining games amongst competing elites at various levels of the institutional hierarchy. Each perspective on federalism will be discussed and problematised in turn. Many of the various treatments of federalism in the current discourse see a stagnant, geographically based division of labour and institutional competencies as the defining characteristic of a federal system of government.

However, it will be argued that institutions are not the optimal measure for determining the nature of a federal system. Federal systems are not homogeneous; some espouse highly centralised forms of decision making, others more disperse. As we will see in the Russian case, institutions are the subject of constant competition and manipulation by regional and federal elites. With the institutions themselves "in play", it seems that the institutions themselves are of a secondary importance to other unidentified factors in explaining the nature of Russian federalism. For this task, an improved indicator for determining the contributing factors to the structure of federal systems is needed.

This brings us to the second concept. Much of what we now focus upon within the study of Russian politics is affected by the concepts of identity, ethnicity and nationalism. From a political science point of view these concepts are awkward due to their seemingly superficial nature. What is perceived as a crucial independent variable in explaining the formation of the institutional structure of the Russian Empire, the USSR and the Russian Federation, is very problematic, if not impossible to quantify.

However, answering questions concerning the exact prerequisites of identity; how myths and historical events are co-opted into creating a separate group consciousness; how individuals conceive of themselves as a member of a specific group as well as their ideas concerning "other" groups in relation to their own; and the role that identity plays in the creation and break-up of polities is crucial in the context of multi-ethnic states such as the Soviet Union and the Russian Federation.

Ignoring the dividing lines that not only delineated specific groups of the population into specific ethnic categories, but institutionalised these variations in the federal structure of many modern polities, risks omitting a major contributing factor to the causal mechanisms that eventually led to the fall of the USSR and the institutional conflict observed in the Russian Federation today. That having been said, an approach that can approximate identity and nationalism in a quantifiable manner must be formulated in order to clarify, in relation with the other recognised independent

factors, just how and to what extent these concepts influence the political, economic and social bargaining among elites in the Russian Federal institutional context.

The third concept is the specific nature of the Russian elite and their influence over the regime consolidation process. Institutions are not the only arbitrators of political and socio-economic competition in the Russian federation. Instead, the political system following the collapse of the Soviet Union became highly personalised, with former communist party bosses occupying positions of power throughout the decision-making hierarchy. Instead of shedding their ties to the Soviet political network and culture, the country's elite built upon their old connections and reinvented themselves as political entrepreneurs. These "new" leaders reacted to institutional uncertainty by organising political, economic and ethnic-based resources at hand to preserve their own political status. It is the organisation of these interests by political entrepreneurs that forms the basis for Russian federalism today.

The fourth and final focus concerns itself with the role that the concepts of federalism, identity, and elites play in the consolidation of institutional regimes within a federal context. As such, the final section acts as a logical bridge to the empirical part of the thesis, in which the empirical data obtained from the case studies are presented in a historical analytical format.

Federalism

Debate still rages around the validity of Russia's federal system. By looking at a detailed map of the country, one can see a large number of territorial units (89 at the time of writing) that seem to lack a uniform reason for their status of a federal constituent unit. The units vary in geographical size. Some were created to cater to ethnic groups on the territory. Still other units are included within the institutional structure of other regions.[22] The point of this chapter is not to delve into the history of the Russian federal system, but to lay the theoretical foundation for the thesis' argumentation concerning the concept of elite bargaining under conditions of institutional uncertainty. Russia's federal system was unique under Yeltsin because the very institutions that would make up the structure of the state were subject to elite competition. In order to understand this phenomenon, we must first examine the theoretical discussion on the topic of federalism.

According to Ronald Watts (1996)[23] there are two distinct definitions that must be elucidated before an overall understanding of the concept of federalism can be achieved. Federalism denotes a normative construction that applies to multi-level government which combines the distribution of decision making competencies and regional self rule.[24] Watts sees this arrangement within the state as, "the perpetuation of both union and non-centralisation at the same time."[25]
Like other normative concepts in political science, federalism also exists in manifold forms and combinations in practice. What Watts considers the ideal general conceptualisation of federalism is applied in practice to a complex interwoven network of specific political, social and economic spheres of responsibility. Russia is no exception. When referring to the practical manifestation of federalism, Watts uses the phrase Federal Political Systems to signify a group of various polities that share multiple levels of political authority which share decision-making competencies through common institutions. [26]

However, despite the accuracy of Watts' procedural definition, the term's clear legalistic designation belies a more complicated nature. Below the delineation of jurisdictional authority among the units and the central government, an organic arrangement among political and economic elites exists, which determines much more than a straightforward division of state authority and political responsibilities. Much like other mechanisms that set the parameters of state and societal behaviour, federalism's perceived concrete monolithic facade is superficial and the informal workings that form its foundations are subject to fluid change over time. Under the internal as well as external influence of geographic, economic, ethnic, political and societal pressures, the nature of the decision-making process and the responsibility that underpins federalism morphs into a shape that fits the prevailing degree and extent of conditions mentioned above.

The purpose of this section is to outline the typology of the concept of federalism. The review starts with a look at the works of William Riker (1957, 1975), which primarily focus upon the foundations of federalist systems and the tensions that characterise federal relations between the sub-national units. The section then moves on to the work of Alfred Stepan (1999), who critiques and then expands upon Riker's fundamental model of federal arrangements while developing the notions of subgroups of the federal species as well as concentrating on the internal mechanisms that differentiate one system of federal government from another. Following the analysis of Stepan's

[22] A more detailed discussion on Russian federalism is included in the conclusion of the thesis.
[23] Ronald L Watts, *Comparing Federal Systems in the 1990's* (Kingston, Ontario: Queen's University Press, 1997)
[24] Ibid, p.6
[25] Ibid, p.6
[26] Ibid, p.7

contributions, the section departs from the political science investigation of federalism engages in an economic analysis of the mechanisms that underpin federal systems of government. More specifically, it follows the works of Oates[27] and Rodden,[28] arguing that the balance of control over economic decisions and the provision of public goods by the federal government or the sub-national units, not the formalistic regulations and legal authority that each unit possesses, forms the basis for federal systems of government.

Inter-unit Bargaining and the Foundations of Federalism Theory

The early work of William Riker and Ronald Schapps[29] focused upon federalism as a form of state administration with the main purpose "to attract adherent constituent governments into a larger nation without the difficulties of conquest."[30] Although on the basis of the initial impetus for forming the federal structures, as outlined by Riker and Schapps, it made sense from the security point of view for smaller states to be incorporated into the wider federation, the safety that the federal arrangement would afford adherents carried negative consequences. Federations are characterised by tension between the choice of constituent units participating in collective security and their desire to maintain autonomy over specific decisions within the federation that directly affect the units' respective interests. Riker rightly points out that battles between the units and the federal centre or amongst the units themselves have led to civil strife and outright armed conflict in the past.

Riker identifies economic policy as one of the main factors that lead to such intrastate and intra-governmental quarrelling. The lack of integration in economic policy may in the end be put down to "differences in ideology and interest among the officials of the two sets of governments."[31] If federal systems were indeed fractious forms of politics, security and public administration as Riker surmised, it is not entirely unfair to ask how federations work to overcome this inherent battle among the constituent units.

With the concept of partisan political bickering over economic policy and interests in the background, Riker theorised that the crucial mechanism in states that could diminish divisive and potentially destructive political squabbles were political parties. Inherent in the foundations of the federal systems of government are aspects of localism and sectionalism. Political parties represent the local and sectional aspects of their constituent states in the upper levels of government in federations. In turn, their existence at the centre of power ties federal policy makers to their constituencies in the sub-national units. Riker sees the central legislative body in the federal system as a forum for units to fight amongst themselves and or with the central government for their specific interests. In the legislature, political parties then play the role of aggregating regional interests, representing them at the federal level and competing with other regions over the federation's political and economic resources.

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[27] Wallace E. Oates, "An Essay on Fiscal Federalism", *Journal of Economic Literature*, Vol. 37, September (1999), pp. 1120-1149

[28] Jonathan Rodden, "The Dilemma of Fiscal Federalism: Grants and Fiscal Performance around the World", *American Journal of Political Science*, Vol. 46, No. 3 July (2002), pp.607-678; "Beyond the Fiction of Federalism: Macroeconomic Management in Multi-tiered Systems", *World Politics*, Vol. 54 July (2002), pp. 494-531 and "Comparative Federalism and Decentralisation", *Comparative Politics*, Vol. 36, No. 4July (2004), pp. 481-500

[29] William Riker and Ronald Schaps, "Disharmony in Federal Government", *Behavioural Science* Vol. 24 (1957), pp. 276-290

[30] ibid. p 277

[31] ibid.

Federal Forms of Government

Riker's [32] quintessential work moved away from the analysis of disharmony in federal systems of government and the role of political parties in mitigation of interstate interest conflict to a more general normative analysis of federal political systems. Riker first broke down what he perceived as federal systems into several sub-groupings. Riker saw that what he termed primitive leagues formed the lowest form of federal government arrangements. Included in this grouping were the alliances that bound together Greek city states and Italian variant during the Renaissance. These administrative structures were not fully federal in nature owing to the lack of a strong, unified central government that oversaw the macro-relations and policies between the constituent units. The cities were joined together for military alliances or trade, but none ceded any of their power to a separate and superior level of administration.

The next step up from the primitive formations were termed early modern leagues, including the Cantons in Switzerland (1291, 1815 & 1848) along with the Dutch Republic, established in 1579. A higher level of administrative coordination characterises this grouping and the increase in the number of issues considered as joint spheres of control differentiated these leagues from those of the early city states mentioned above.

The model that brought federal government into its modern form that most observers identify with today was that of the United States. First established under the articles of Confederation in 1781 and then reformulated under the US Constitution in 1789, the US model incorporated the three core aspects that characterise all modern federal systems including a strong, independent federal government; a split legislative body at the federal level based upon territorial representation in the upper house and population based representation in the lower house; and a division of labour in policy making between the sub-national and federal levels. [33]

How Federations Form

Riker, after identifying a typology for the federalist systems, moved on to develop a normative definition for the phenomenon. In his earlier work, Riker had insisted that sub-national units would have joined a federation if an external threat to their individual security existed and the costs of joining a federal arrangement would be superseded by the costs of facing the external threat individually. The process by which independent polities joined together to form a centralised authority responsible for collective security was based upon a shared set of interests. If states were allied in some cause, these states would eventually form constituent governments, which in turn would create the central government that would oversee the running of the federation itself.

The central ingredient for the creation of a federation for Riker seems to be the process of "coming together".[34] That is, units pull themselves together because of the existence of some advantage which trumps the costs of joining a federation and is in the common interests of all the states more than the maintenance of their independence. The sources of a "coming together" impetus are open to debate. Starting with his previous work, Riker identified that some external threat had to present

[32] William Riker, "Federalism" *in* Fred I. Greenstein and Nelson Polsby (eds), *The Handbook of Political Science, Volume V: Government Institutions and Processes*, (Reading MA: Addison Wesley, 1975)
[33] As Riker termed it, this mixture of league and nation incorporated in the US model has examples in Latin America, Germany, and in former English colonies, and the model can viably be extended to the former USSR and Yugoslavia. See William Riker, "Federalism," in Fred I. Greenstein and Nelson Polsby (eds.), *The Handbook of Political Science, Volume V: Government Institutions and Processes* (Reading MA: Addison Wesley, 1975.) (p. 97)
[34] ibid. p.114

such a danger to the independent units that it was in their rational best interests to forgo independence and form a federation based upon an agreed alliance.

Building on the works of Deutch (1957), Birch (1966) and Watts (1966), Riker's notion of external threat is supplemented by the concept of internal rationalisations for federalising interstate relations. The internal and external calculus for creating a federation can be extended beyond the security discourse and moves into the areas of geographical proximity, practical aspects such as shared economic contacts or interests, similar political institutional structures, and shared ethnic or linguistic backgrounds, along with the need for increased governmental coordination and efficiency between the units. However, systems in which sub-national units cede authority over certain policy issues to the central government are not federal systems in Riker's eyes since there was no mutual agreement to suspend their individual independence for the sake of collective security.[35]

Riker's subsequent definition of federal systems augments the above aspect of independent units coming together for a purpose by describing the division of administrative authority between the newly formed central government and the constituent units:

> Federalism is a political organization in which activities of government are divided between regional governments and a central government in such a way that each kind of government has some activities on which it makes final decisions.[36]

Riker then constructed a classification of the decision-making abilities of governments using centralisation of decision-making as the explanatory factor. The left-right continuum was characterised by loose alliances on the left of the spectrum whose centralised decision-making authority was almost non-existent and most policies were hammered out by the members themselves without the aid of a centralised overseeing body. The middle position of the spectrum was occupied by federations; the federations were either periphrealised, such as Switzerland, where the major authority over gate-keeping and decision-making rested with the constituent units, or centralised federations such as the US and the former Yugoslavia, where the central government played more than the role of a policy arbitrator between the units. The final space on the continuum was occupied by fully centralised decision-making bodies, as seen in unitary forms of government. This category was broken down into two sub-types: regionally based unitary government as seen in post-war Italy, and dictatorial government as in Nazi Germany.

The definition and the continuum based upon the centralisation of decision-making in observed political systems are purely procedural and do not elucidate upon the process of how exactly the units come to their decision to form the federation along with deciding upon what powers go to what level of administration in the governmental hierarchy. The formal or informal nature of federal systems of government becomes apparent in Riker's work. On the one hand, his models provide the backbone for defining ideal types of administration that may or may not be classified as federations. On the other, Riker admits that there is a realm that exists outside the procedural framework of decision-making authority – as he terms it, "the phenomena outside institutional and constitutional bounds"[37] – which forms the basis for the power sharing arrangements among the constituent units and the federal government.

Besides preliminarily identifying the implicit nature of decision-making powers and elite bargaining in federations, Riker also distinguishes the flows of power that exist between the institutions of the

[35] ibid. p.100
[36] ibid. p.101
[37] ibid. p.101

federation. Powers that the constituent states share are seen as horizontal powers, while the ability of the federal government to coordinate and enforce decisions from above, such as taxation for the provision of public goods that affect the sub-national units themselves, is perceived as vertical. For Riker the problem with measuring the fluid and implicit relationship between power relations and decision-making in federations had its solution in the nature of political parties that resided within such systems of government. The relationship between power, decision-making and political parties was a positive one.

Expanding upon his 1957 work, Riker theorised, in essence, the degree to which a national ruling party was able to win over voter preferences at the constituent unit level, and determined how likely the party would be able to consolidate its hold on regional governments and solidify a vertical conduit for the implementation of its initiatives. On the other hand, if regional parties still dominated their respective local legislatures, national parties could not install the vertical channel and the less likely the establishment of a centralised party and federation would be.[38] Despite being unable to develop a more explicit way to measure the fundamental relationship among power and decentralisation of decision-making in federations, Riker does give some insight into the challenges that such a complicated system of public administration could face.

Riker determined that four groups of concerns could undermine the legitimacy and structure of the institutions that govern a federation. The first group of issues is constitutional. Over-representation in the upper chamber could lead to unfair advantages for some units; the degree of independence and bias of the courts could also serve to provide unfair advantage to either the central or sub-unit governments, thus throwing the whole delicate balance out of kilter. The second group of concerns focuses on the inability of the sub-national units to behave responsibly in the fiscal management of their respective budgets. As will be shown later on, it may be more rational for local political actors to act fiscally irresponsible, running high deficits, shifting the blame for economic difficulties, in order to preserve their local political power base at the expense of the federal centre.

Linguistic and ethnic tensions may also force decisions on the part of the federal government that when considered in retrospect gave unfair advantages to those constituent units with a large percentage of a specific ethnicity on their territory. On the other hand, elites may utilise ethnic differences to cynically forward their own selfish political agendas at the expense of federal harmony. The final issue of concern is that of regionalism. How does the federal government administer the provision of public goods in all the constituent units so that every unit receives its share of the good? Should the central government ensure a basic, standardised level of healthcare across all the states, or should the provision of such services be left to the discretion of the units themselves, ensuring that local preferences are more efficiently and effectively served?

The issues outlined above then in turn question the validity of some of the ideological myths that surround the concept of modern federal systems. Riker does not see how federalism ensures democracy in a polity. If the federal system of government is a result of a negotiation process among elite politicians and the inherent tension within the system is constantly ebbing and flowing between the federal and sub-national level as well as among the states themselves, at some point, someone or some group is going to lose out in the defence of its interests. That having being said, federal systems may make it harder to maintain a basic level of political rights and services for all the members of the polity.

Relations between the states and the federal government are not as harmonious as one would think. Riker and Schapps already outlined the inherent tension in federal systems. Phenomena such as

[38] ibid. p.137

logrolling and pork barrelling make it hard to argue that the constituent units and the central government always work in the best interests of the federal system. Units may extract rent for their own constituencies at the expense of other federal units and the federal government in exchange for support of federal legislation. States regularly argue over their contributions to the central budget and attempt to maximise the funding they in turn receive from the federal level for their own local projects.

Stepan's Critique of Riker and American Federalism

Alfred Stepan[39] attempted to clarify some of what Stepan terms "concept stretching" included in Riker's model.[40] The major weakness with Riker's along with the mass of political science's treatments of the subject, according to Stepan, is that they are too reliant upon using the US Federal System as a measuring stick for all other federations in the world. The use of the US model by researchers to explain disparate social, economic and political conditions leads to assumptions that cannot be applied to countries such as the Russian Federation, India or Spain, just to name a few of the relevant cases.

Stepan's central criticism of Riker's model starts with the assumption that all federations are composed of more or less politically equal units that undertake a bargaining process to improve their collective security and gain other advantages by sacrificing a degree of their sovereignty to a newly formed central governing apparatus. The "coming together model" of federalism, according to Stepan, has only occurred in a few observable cases. The second point is that despite creating the institutions of government to ensure the protection of individual rights from encroachment by the central authorities, many institutional designs for the legislature along with the division of powers among the states and the federal government can produce the opposite effect to what was originally intended. Institutional flaws may constrain democracy instead of nurturing it. This negative feature is referred to as "democonstraining". [41]

The third and final critique of Riker's model concerns the nature of the relations between the sub-national units and the federal government. In Riker's model the competencies that each state is charged with are uniform across the board. According to Stepan, the weaknesses that Riker refers to at the end of his 1975 work, induce the production of asymmetrical arrangements between the constituent units and the federal government. Thus, the horizontal nature of federal power is not generalisable to the extent that Riker had suggested. Instead, depending upon ethnic, linguistic, economic and geographical realities observed in many federations, some units may receive more powers vis-à-vis the federal centre than others in order to maintain structural cohesiveness and political harmony within the whole federal framework.

[39] Alfred Stepan, "Federalism and Democracy: Beyond the US Model" , *Journal of Democracy*, Vol. 10.4 (1999), pp. 19-34
[40] ibid. p. 22
[41] ibid. p. 20

Critique 1: How Federations Form

Stepan does not totally discredit the "coming together" theory put forward by Riker. In fact Stepan admits that indeed the US, Swiss, and Australian are fine models that illustrate the process of unification of polities for common interests. However, the "coming together" model may not be appropriate when applied to multi-national states which face different political, economic, and historical conditions. Stepan bolsters Riker's coming together paradigm with "holding together" and "putting together"[42] theoretical constructs. Unlike the mechanism constructed by Riker, "holding together" subspecies of federalist systems originates in states that have strong unitary characteristics but are faced with serious variation in the ethnic composition of their populations, and differentiation in the degree of competencies afforded to each sub-unit. Countries such as Spain, Italy and Belgium had political leaders who were faced with such complicated issues. The political decision makers "came to the decision that the best way, indeed, the only way to hold their countries together in a democracy would be to devolve power constitutionally and turn their threatened polities into federations."[43]

This is in complete contrast to the conceptualisation proffered by Riker. Riker did not perceive these states as federations at all, just systems that had afforded units a modicum of authority over a set of particular issues. What Riker omitted was exactly the idea that Stepan stresses: at some point the central government realised that in order to preserve its overall power in the polity, the centre had to devolve competencies to the sub-national units. The bargaining process that for Riker takes place in the formation of federal systems outside the confines of institutional structures, occurred in a legislative forum in the cases identified by Stepan. The major factor here for justifying Stepan's stance is that the competencies passed over to the states give them more bargaining power over the centre than they possessed under the unitary form of government, thus enabling the units to defend their interests in the same way as units in Riker's model.

If the holding together model of federalism is the result of devolution of powers based upon a negotiated legislative settlement among the constituent units along with the central government, the "putting together model" is a move toward centralisation based upon coercion and brute force. Unlike for Riker, the USSR for Stepan was an example of the putting together mechanism.

Critique 2: Do Federations Really Protect Individual Rights?

Riker (1975) does question the ability of federations to protect the rights of the citizenry in the face of central government intrusion and manipulation. Still, he does not address in any great detail the weaknesses federations face when it comes to the federal pact defending the rights of citizens. Stepan produces two categories of federations based upon their ability to protect and nurture the rights of individual citizens that reside within the territories of the federal state. The two groups are classified as "demos-constraining" and "demos-enabling".[44] In comparison with federations, Stepan perceives distinctions within a unitary system of democratic government that afford such a system advantages over federal arrangements. Stepan points out that a unitary system of government possesses an open agenda over policies undertaken by the central government. In federations, the states control many issues which limit a citizen's ability to gain access to a service that may be granted in another sub-national unit.

[42] ibid. p.22
[43] ibid. p.22
[44] ibid. p.24

The second constraining aspect of federalism is its repudiation of the one man one vote concept. Although federations afford their citizenry an opportunity to take part in the electoral process, the legislative institutional mechanisms – more specifically, the design of representation and responsibilities of the upper house – may cause distortions in the representation of the polity as a whole. Specifically, Stepan highlights the issue of over-representation of the territorial units in the upper house as one of the main contributors institutionally to the limitation of the demos' ability to defend its interests in the legislature of federal systems. If the issues that upper house deal with are wide in scope, their power may outweigh the power of an individual's vote to determine specific policy decisions.

The third concern is related to the ability of the demos to reel in the power of the judiciary so as to make it more responsible to the citizenry. Stepan readily identifies the jurisdictional disputes that occur more frequently in federations. This problem seems to be very acute in asymmetrical federations where certain units are afforded economic and political concessions for their significance in the maintenance of the health of the political structure. Issues such as special tax breaks, the provision of soft budget constraints and fiscal favouritism may benefit the population of one unit at the expense of the majority of the others without any legal or political recourse.

Critique 3: Asymmetry versus Symmetry in Federations

If the political framing of the federation causes discrepancies between what political advantages citizens are promised by the institutional structure and the degree to which they can actually fulfil their preferences, the heterogeneity of the ethnic and linguistic make-up of the citizenry can cause havoc with the framework that supports the political structure in federal systems. Stepan points out that all multinational federations are asymmetrical; that is "in order to hold the multinational polity together, they assign different linguistic, cultural, and legal competencies to different states."[45] The resulting patchwork of varying levels of authority over certain decisions can make striking a balance between the maintenance of individual and group rights a nightmare for the ruling politicians.

Asymmetry assumes that some bargaining over the assurance of a certain group's specific rights is looked after by their local authority. Either in the field of education, religious practice, or language rights, sub-national and federal governments must be sure that no one individual's rights are violated while at the same time the overall rights of the general population are not violated by the specific needs of a minority within the general population. The centre cannot renege on its responsibility to protect a general level of civil rights within the polity. If all civil rights legislation were to be devolved to the regional level, the central government would find itself almost powerless in the face of possible civil strife.

In order to avoid such a catastrophe, Stepan outlines four mechanisms that can be used by the centre to harmonise the need for individual rights for minorities and the preservation of a basic level of protection for all the population: the adoption and promulgation of a Bill of Rights by the central authorities that supersedes the rights that may be given to specific groups within the federation; the federal government must ensure that no group-specific rights violate universal rights; admission by the federal government that there may exist situations in which there are limits to the granting of

[45] ibid. p. 32

group-specific rights; and Universal and individual rights above all must promote effective democratic participation within the polity.[46]

The Economic Underpinnings of Federalism

The above mentioned treatments of federalism, although hinted at in Riker, leave a major void to fill regarding the underlying inference that could explain why independent states combine resources in a federation. Internal catalysts and externalities only provide the impetus that initiates the process of federalising sub-national units' jurisdictions and the creation of a federal system of central government. These internal and external motives explain what factors lead political elites to undergo a cost-benefit analysis for the federalisation process, and the negotiations among the states give us insights into how the federal arrangement is constructed. What federal system theory is lacking may be the identification of just what political elites are bargaining over for control. The answer to that question may be found outside the boundaries of political science and in the literature concerning fiscal federalism. It is just plausible that the procedural constructs that govern horizontal and vertical alleys of power within the federation are determined by what economic resources units possess and how willing they are to part with a degree of control over those resources in order to establish the central government's authority over the constituent states.

In their work *Rethinking Federalism*, Robert Inman and Daniel Rubinfeld[47] identify three forms of federalism: Economic, Cooperative, and Democratic (Majority Rule) configurations. Each of the forms relies upon three values that federalist systems embody: it facilitates efficient allocation of public resources; it supports political participation and civil society in a democratic environment; and it protects basic liberties and freedoms.[48] While the other two forms of federalism, democratic (majority rule) and cooperative, are centred upon federalist solutions to public good provision intertwined with political solutions, the economic version of federalism "prefers the most decentralised structure of government capable of internalising all economic externalities, subject to constitutional constraint that all central government policies be decided by an elected or central planner."[49]

The Argument for Fiscal Federalism

Oates[50] saw the issue of Fiscal Federalism as a concept that tied the subunits and the federal government together in the vertical power structure through shared authority over and responsibility for the provision of public goods. How the authority and responsibilities were shared between the two levels was based upon the nature of the public good on offer. The basic economic argument for fiscal federalist structures was a simple division of labour between the two sets of governments in the federal system. The central government would oversee microeconomic stabilisation and income re-distribution because local governments had limited resources at their disposal to control the externalities that affected their economic performance. At the same time, the federal government, in view of differentiation in the needs and preferences of the units, would not be able to provide local public goods efficiently across all jurisdictions. Therefore, decentralisation of public goods

[46] ibid. pp 32-33
[47] R.P. Inman and D.L. Rubinfeld, "Rethinking Federalism", *Journal of Economic Perspectives*, Vol. 11 No.4 (1997), pp. 43-64
[48] ibid. p. 44
[49] ibid. p. 45
[50] Wallace Oates, "An Essay on Fiscal Federalism" in *Journal of Economic Literature*, Vol. 37 September (1999), pp.1120-1149

distribution would have to centre upon the units themselves allowing the units to efficiently and effectively measure the preferences of the consumers within their boundaries and to provide goods accordingly.

The theory that subunit governments are better equipped to satisfy their population's needs and preferences for public goods is grounded in two important assumptions. First, local governments are better suited to distribute costs and benefits due to their proximity to their constituencies. Second, the central government's main role is to uphold a basic level of policy uniformity so as to limit the local governments' ability to maximise benefits at the cost of other units. [51] As a caveat, even with very efficient goods' procurement and provision, consumers can defect from the unit to another in which goods' distribution is better matched with their preferences, i.e. vote with their feet.

Mechanisms that Regulate Fiscal Decentralisation

Two fiscal instruments are utilised by both governments in a fiscally decentralised system to provide the funding for, and in turn the allocation of public goods: intergovernmental grants and taxation.

Grants

The issues surrounding the creation of an intergovernmental grants system are indeed complicated. For all intents and purposes, intergovernmental grants are generated through the collection of taxes at different levels of the public sector.[52] Some units may create more opportunities for taxation due to the greater size of their tax base and then according to an accepted transfer equation which is designed to "measure the fiscal need and fiscal capacity of each province, state or locality".[53] The subunit governments then pass on the determined surplus to the federal coffers. According to Oates,[54] the grants fulfil three roles in the process of inter-unit revenue sharing. They internalise spill-over benefits to other jurisdictions; they provide a mechanism for fiscal equalisation across jurisdictions; and they provide the basis for an improved system of taxation.

The type of grants that federal governments use to fulfil the aforementioned functions are characterised as conditional and unconditional. As their descriptions clearly point out, some grants come with strings attached. Conditional grants are those which come with specific stipulations regarding how they are to be employed by the receiving constituent government. Conditional grants may take the form of matching grants in which local governments put up a certain percentage of the required funding and the federal government provides the rest. The purpose for the matching grants is to directly override the effects that may occur due to externalities experienced in the economy of the region, thus directly aiding the local consumers to generate benefits in spite of outside economic influences.

On the other hand, unconditional or non-discretionary grants are designed to fulfil some degree of fiscal equalisation between the units in a federation. These grants take from the rich units and give to the poor, as it were. Such grants are not always a central instrument in observed federal fiscal policy in all federations. Some countries such as the US use a limited grant system whereby the

[51] ibid. p 1123
[52] ibid.
[53] ibid. p 1127
[54] ibid. p. 1126

states of the union receive funding earmarked for specific projects such as transportation upkeep and maintenance.

In other countries such as Canada, intergovernmental transfers go directly from the wealthier units to the poor in order to level the social and economic playing field. This equalisation, though, is not without its political price. The issue's contentiousness lies in the fact that some units would rather maintain control over their resources for their own purposes. The degree of variation in economic and social conditions in each unit can add to the problem of fund redistribution and sometimes lead to talk of breaking up the federation or outright civil conflict. The issue is a thorny one for the following reasons: without such grants, fiscally solvent units can develop themselves further at the expense of poorer units and the levelling effect; and opponents argue that the influence of the levelling mechanism provides the wrong incentives and subsequently prevents economic development in poorer regions. Still, it can be argued that federations are held together by such intergovernmental transfers and they do lead to a much more egalitarian taxation system within the federation.

Taxes

Taking Oates' position on the inter-linkages between the funding of the different levels of government into consideration, then, taxation in a federal system faces a logical question: Which taxes are best suited for the different levels of government? The answer to that question is shaped by the internal economic and political conditions within the federation. Oates explains that the difference between actors at the federal and local levels is one of movement. Goods that are taxed at the national level rarely cross national borders into other countries. We all pay taxes for the provision of heath care, welfare, and national defence. These goods carry no economic value in other countries. US government benefits are valueless if an American citizen becomes ill on a trip to Denmark. He or she must either pay for private insurance or return to receive treatment in the US to gain the value of his or her benefits. Likewise under normal conditions, defence spending in the US rarely can be directly translated into services and security for other citizens of neighbouring countries.

At the local level however, goods, economic actors such as firms and individual citizens are highly mobile. Dissatisfied taxpayers and firms can move to more prosperous units and exist under advantageous economic and social conditions. They may move to other areas in which goods' provision is much more suitable to their preferences. The provision of education provides a good example of this mobility for individual taxpayers. A family may consider pulling up sticks and moving to a new state in which the tax base, thanks to a healthy local economy, may spread the tax burden over a vast group of consumers, thus reducing the costs for a superior good, in this scenario, a child's access to quality education.

Firms may act in a similar fashion when faced with taxation on their business activities. Sates are in the habit of negotiating tax breaks with major firms in order to attract their capital and associated jobs to increase the state's budget revenue. Units with less to offer in terms of financial and labour advantages may lose out to units that can provide a deferment on state corporate tax or the cost of labour within the state's economy. In the model, there is very little to prevent firms from moving from unit to unit.

Taken into consideration with the section's opening question, "Who should tax what?", the above issues point to a short list of recommendations for the delineation of responsibility between the federal and sub-national governments in the federal taxation system. Oates reckons that, due to the

mobility issue laid out above, the central government should be responsible for what he terms non-benefit taxes, those centring on revenue from capital or nationally consumed goods such as self-defence, while the local governments should tax benefits consumed in their jurisdictions.
Taxing benefits at the local level allows governments to accurately price the good with regard to consumption by the local populace, thus accurately satisfying the populace's need for the exact good and receiving the correct amount of revenue in the local budget, while reducing the chance of capital or consumer flight.

Problems with the Model: Environmental Resources and Cynical Elites

In a vacuum, under laboratory conditions, Oates' paradigm for decentralised fiscal management in response to preferences of economic actors and the mobility of taxable goods makes intuitive sense especially in a multinational, economically diversified state. Unfortunately, the rationality of economic models is affected, sometimes adversely, by political and geographical realities that time imposes upon the paradigm. As we have already seen in the previous sections, spill-over effects can lead to distortions in the ability of governments to acquire funding for the provision and procurement of public goods. Oates is quick to point out that "much of the problem comes from historically and culturally determined aspects that make little sense in terms of economic and geographic realities." [55]

Two specific concerns enter into Oates' analysis of the decentralisation model. First, there are environmental issues and second, there are concerns over the behaviour of elites in charge of government at both levels and their specific role in the provision of public goods. In the model described by Oates, centralised and decentralised governments possessed specific roles that they had to fulfil in order to maintain the federation's economic as well as political viability. In centralised forms of administration, the central government's jurisdictions spread over areas such as, "…macro-economic stabilisation, redistributive measures of support for the poor, and the provision of a set of national public goods."[56] Decentralised forms of government, by contrast, concentrate on leaving the issue of public good provision to the local authorities, which plays to the subunit's perceived inherent advantage of matching the type of good with consumers' explicit preferences.
When it comes to the exploitation and development of natural resources, units may be blessed with disparate amounts of reserves of natural resources such as oil and natural gas, precious minerals or metals, renewable resources such as timber and potable water which may not correspond with the geographical boundaries drawn on maps. Ultimately who benefits from an un-natural advantage may be a point of contention between units-that-have versus units-that-have-not. We have also seen that decentralisation of authority over the public sector can lead to interstate rivalry, for example competition over financial resources such as investment capital and tax revenue. Taxes may be held at an artificially low level in order to attract outside investment, thus reducing the tax burden on firms and shifting it to individual consumers.

Finally, in whose interests do local elites rule? Are they creating an economic powerbase to improve revenue collection and upgrade public services provided to their constituency altruistically or, as Niskanen[57] posits, are elites rationally maximising their budgets to increase their own power base and access to economic wealth and political influence?

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[55] ibid. p. 1130
[56] ibid. p. 1134
[57] W.A. Niskanen, *Bureaucracy and Representative Government* (Chicago: Aldine Atherton , 1971) and "Bureaucrats and Politicians", *Journal of Law and Economics,* Vol. 18, No. 3 (1975), pp. 617-643

Solutions: The Interplay of Political Participation and Economic Realities

Following the work of Inman and Rubinfeld,[58] Oates sees that there is a trade-off between the level of economic efficiency and political participation in a federal, decentralised system of public administration. This negative relationship forces elites to make choices in order to strike a balance between the political and economic spheres.

Regarding the environmental issues, Oates proposes, besides the establishment of a centralised body to oversee resource development, that unit governments should adhere to a rational form or map. Regional governments should be of a size so as to manage extensive natural resources such as tracks of timber and watersheds. Metropolitan administrations should encompass major population centres and the surrounding suburbs. Finally, lower level local governments should be numerous enough to allow for increased input on services on the part of the relevant constituency.

All these suggestions are designed in one way or another to increase the efficiency of control over common resources while providing the political mechanisms of control and responsiveness to the need of the public on the part of the ruling political elite. Oates also outlines an alternative theory that attempts to provide guidelines for striking this precarious equilibrium between economic prosperity and political accountability. Unlike the paradigm of Rubinfeld and Inman, new institutionalism espoused by Weingast (1995) and McKinnon (1997) relies not so much on an amorphous balance of economic and political interests, as upon the construction of a viable institutional framework that, above all, fosters and nurtures a vibrant market economy. [59]

Besides possessing the decentralised form of government with its division of labour in the public sector, new institutionalism advocates a system that supports the development of an internal common market between the sub-national units, and that the constituent governments face hard budget constraints. In other words, in terms of transfers and budgets, there should be no creative accounting at the local level to hide budget deficits or relaxed monetary regulation which may result in blame shifting for economic difficulties to the federal level or overall economic insolvency. Hard budget constraints treat sub-national governments as individual borrowers on the credit market; this assumes that in order to gain credit, the authorities must act in a fiscally prudent manner, and the constituent units must be fiscally solvent without having to rely upon endless intergovernmental transfers from above. [60]

Testing the Validity of the Fiscal Federalism Model: The Interplay of Politics and Economics in Federal Systems

Oates' model then leaves us with a dilemma. In the quote above, the author points out that there is an underlying stratum of rules or procedures that underpin the effectiveness of institutional arrangements through the creation of incentives for elites to act more responsibly rather than rationally cynically. The addition of economic theory concerning the fiscal and monetary mechanisms found in federal systems only deepens the reliance on the legal definition for identifying what a federal system of government actually is. The economic analysis has focused upon the existence of institutions, the geographical size of the sub-units and the clear division of

[58] R.P. Inman and D.L. Rubinfeld, "Rethinking Federalism", *Journal of Economic Perspectives*, Vol. 11, No. 4 (1997), pp. 43-64

[59] Wallace Oates, "An Essay on Fiscal Federalism", *Journal of Economic Literature*, Vol. 37, September (1999), pp. 1120-1149 p 1138

[60] ibid. p. 1140

labour between the federal and sub-unit governments which was argued against by political scientists Riker and Stepan.

Jonathan Rodden[61] attempts to square the circle that the political analyses of Riker and Stepan along with the work of economists such as Oates could not rectify. Citing Riker (1967) in his work, Rodden believed that without understanding the forces that made a federal system work, the normative concept of federalism was a fiction.[62] Subsequently, Rodden constructed two quantitative experiments with the aim of identifying just how political and economic factors combine to form and influence federal systems of government. Although most federations deal well with the economic and political stress that is associated with a globalised international economy and more mobile consumers of public goods, certain developing federal systems do not cope as well with the economic and political realities that they face today.

The difference in performance among federal systems emphasises Riker's earlier point, that besides the division of tasks between the central and local authorities, there must be more to investigate than just stagnant legalistic divisions of decision-making authority. The border at which economic and political forces cross in a federal arrangement may be the place to start to seek an explanation of what makes federal systems of government work. Despite the advantages of a check and balance system between the federal government and the constituent units' administrations, which in successful federal systems strike a balance between overall cohesiveness of the federal government and decision-making leeway for the territorial units, the ability of individual localities to tailor policies to the needs of their constituencies and the federal government guaranteeing overall rights for the whole population, federalism is gaining a bad reputation for not being able to cope with the fiscal responsibilities faced by modern states.

As Rodden points out, instead of fulfilling the intended role of balancing out the federal government's influence over their constituency through negotiation and responsible fiscal policy, regional elites act as veto players that extract political and economic rents from the federal centre to foster their own regional powerbases at the expense of the federal centre.[63] Local elites may undermine overall federal fiscal and economic policies by avoiding the implementation of policies that may undercut their local power-base. Unprofitable companies may be subsidised by the government to maintain acceptable levels of employment in the region that in turn may translate into increased public support at election time. Budgetary largesse may also take the shape of increased spending during crucial periods of the political business cycle. Elites may spend large amounts of funds in order to influence voter preferences without considering where the money will come from. Other forms of cynical, yet rational fiscal policies may be observed at the federal level as well. Local elites, represented in the upper chamber of the legislature, may extract rent or hold out for more beneficial policies through the legislature – again to improve their local power-base at the expense of overall fiscal soundness and the quality of federal governance. Elites may also use their position in federal structures to block or limit unpopular policies from being implemented from above.

The federal government for its part may also play a role in the degradation of federal structures by compromising on policies such as taxes or control over resources and leaving it to the discretion of the local elites to implement policy. In turn, the federation could be made up of a patchwork of legal

[61] Jonathan Rodden , "The Dilemma of Fiscal Federalism: Grants and Fiscal Performance around the World", *American Journal of Political Science*, Vol. 46, No. 3 July (2002), pp. 607-678 and "Beyond the Fiction of Federalism: Macroeconomic Management in Multi-tiered Systems", *World Politics*, Vol. 54 July (2002), pp 494-531
[62] Jonathan Rodden, "Beyond the Fiction of Federalism: Macroeconomic Management in Multi-tiered Systems", *World Politics*, Vol.54, July (2002), pp 494-531p 494
[63] ibid. p 494

along with institutional structures that do not intertwine well with other policies or bureaucracies just across the border in other regions, making the establishment or maintenance of a unified economic or political arrangement nearly impossible. It seems that federalism in some cases is another item to file in the "best intentions, worst outcomes" dossier. As Rodden concludes, the mechanisms which are supposed to distribute costs and benefits efficiently among disparate units only create incentives for the regions to resist coordination and the internalising of externalities. [64]

What is missing, then, among the troubled federations such as Russia, Argentina, and Brazil, that makes up the quintessential component for the federal system's success in countries such as the US, Canada and Germany? Rodden reckons that it is a system of incentives that act as limits or controls over elite behaviour which are lacking in the institutional wirings of unstable developing federations. More precisely, Rodden offers two incentive mechanisms that may form the bulwark against cynical elite behaviour within federations: political parties (following Riker's work), and fiscal instruments such as decentralisation and hard budget mechanisms.

Fiscal Federalism: A Critique

Looking back at his previous works, Rodden's[65] updated analysis of measurement issues concerning federal systems of government brings up one crucial point that was evident early on in his work:

> Federalism is not a particular distribution of authority between governments, but rather a process – structured by a set of institutions – through which authority is distributed and redistributed. [66]

Rodden takes issue with the concept of a clear delineation of responsibility between the central government and the territorial units. Whether the issue is taxation and intergovernmental transfers or specific education policies adopted by states, these are poor proxies for the mechanisms that characterise federal systems because they are products of the political bargaining process described by Rodden and set out above. These indicators may be necessary to characterise a federation, but to a great degree they are not sufficient.

In order to underscore the fact that policy outcomes and authority sharing are not sufficient to prove the existence of federalism, Rodden goes back to the concept of elite bargaining first mentioned by Riker and then built upon by Stepan. It seems that in federal systems, the central government needs something from the territorial units that it cannot gain through unilateral declarations, the threat of sanctions or emergency declaration. Instead, the central authorities are forced to admit their dependence on the regions for their stability, and the state's overall cohesion and legitimacy. The admission that a mutually beneficial relationship between the regions and the federal centre is the only way to maintain a system in which everyone's interests are satisfied may form the basis for a federal agreement among all parties.[67] Whether the federal arrangement is of a "coming together" or "holding together" nature "federal contracting is largely a product of institutional incentives arising from previous bargains" and "the federal and provincial governments are clearly locked into an ongoing process of intergovernmental contracting that takes place primarily outside of central government institutions".[68]

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[64] ibid. p. 500
[65] Jonathan Rodden, "Comparative Federalism and Decentralisation" in *Comparative Politics* Vol. 36, No. 4July (2004), pp. 481-500
[66] ibid. p. 489
[67] ibid. p. 489
[68] ibid. p. 491

This phenomenon of bargaining forming the basis for a federal agreement which then develops organically under the particular social economic and political conditions experienced in the particular geographical space can be observed in the manifold institutional arrangements that are built into modern federations. Federations are not federations owing to a stagnant hierarchy of multi-tiered government or the distribution of sovereignty among the various institutional units. Instead, federal systems of government are more accurately characterised by the constant renegotiation of contracts concerning the distribution of costs and benefits between the federal centre and the constituent units. [69]

Constructing Federalism: Rectifying the Political and Economic Paradigms of Federalism

In the course of the previous discussion, two views of federalism were presented, representing an incomplete dichotomous treatment of the concept. While each argument in its own terms addressed certain aspects of federal forms of government, we are left with an unexplainable gap between the two paradigms. More precisely, both arguments, the political and the economic, fail to tackle what factors contribute to the successful establishment and long-term stability of a federal state beyond the distribution of authority over economic and political decision-making. Corresponding to the logic first presented by Riker, Stepan and Rodden, Filippov et al.[70] federalism is seen as a form of government which, "corresponds to a process in which there is a continuous ebb and flow of authority among levels of government in accord with the preferences of its citizens and subject to the constraints of individual rights" and not one that "necessarily corresponds to some specific institutional description." [71]

Federal systems of government are attempts to mitigate to a palatable degree the difficulties with the changes in preferences among actors that lead to political competition and conflict in a state. The federal system, like the actors' preferences, is not a stagnant unchanging monolith of authority and inanimate institutional arrangements correlating to legal and geographical jurisdictions. What a federal system attempts to cope with on a daily basis is a mixture of political, economic and social conditions that may be too complex for a unitary system to handle without turning to authoritarian means of control. These influences do not exist in a mutually exclusive manner, nor are they inert. Federal systems are designed to strike a balance between the needs of the constituent units and the federal centre while maintaining an acceptable level of individual rights. These systems adjust with the mutating preferences and needs of the centre vis-à-vis the constituent units through the reallocation of power over decision-making between the centre and the regions.

How power is allocated and to what degree power shifts from level to level, and from institution to institution depends upon preference competition, defined by constitutional as well as statutory mechanisms incorporated into a specifically designed, multi-level institutional structure. The manifold character of the federal system is an intertwined network of incentives and barriers to behaviour by actors in the preference game. Preferences are not measured in strict whole number quantities; their quantification is subject to bargaining over preferred outcomes. Deals are struck between actors when a specific cost and benefit equilibrium is hammered out between the sides which is acceptable to both over time.

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[69] ibid. p. 493

[70] Mikhail Filippov, Peter .C. Ordeshook and Olga Shvetsova *Designing Federalism: A Theory of Self –Sustainable Federal Institutions* (Cambridge University Press: Cambridge 2004)

[71] Ibid, p. 10

Stability, Institutions and Self-enforcement

The concepts that underwrite this system of bargaining over preferences under the umbrella of individual rights are stability, institutions and self-enforcement. The idea of stability in a federation allows for changes in the institutional structure of the political system over time in response to changing internal preferences and external influences in accordance with pre-established democratic and constitutional means. Stability then provides an environment which produces "an empirical duality of an institutional equilibrium whereby formal institutional rules and individual motives generally and over time remain in agreement".[72]

Institutions, which are defined as "a set of rules that structure interactions among actors", provide the guidance mechanism for preference bargaining and ultimately define the nature of the bargaining equilibrium. However, institutions are not monoliths that remain constant. The authors add, that institutions "must be directly manipulable, subject to conscious design, creation, modification, and even elimination".[73] Finally, not only should an institution be malleable, it must be perceived as legitimate in and of itself by actors through self-enforcement.[74]

One more concept should be added to the list. The authors remind us that as political actors we all possess preferences that we wish to see advanced, whether that is the passage of a tax break for our corresponding income bracket or in the most extreme cases the dissolution of a federation along relevant ethnic lines. What maintains control over our preferences is a system of incentives that make us play by the rules of the game in order to compete for our interests. The concept of incentives is vital to understanding how a federation works: "the meaning of institutions cannot be discerned without understanding the incentives of people to abide by them or interpret them in one way or another."[75]

The Concept of Bargaining in Federations

Early on in the work, Filippov et al. pose a simple, yet serious question: what prevents the competition among actors defending their preferences in a federation from pulling it apart to serve their own selfishly motivated ends? It is not unreasonable to hypothesise that without the identification of external or internal impetus, espoused by Riker, which initially led to the formation of a federation, the original political arrangement could crumble under the inherent pressures caused by the conflicting influences among the units in the system. Filippov et al. liken the original formation of the federal framework to that of an N+1 player game, in which the units decide amongst themselves that there is a need to create another level of government that oversees and coordinates relations among the units while possessing its own preferences and responsibilities within the new federal blueprint.

However, problems with stopping here illustrate the question posed above. It is fine if the constituent units can agree upon some sort of governmental arrangement, but there is no guarantee written into the pact that ensures stability and longevity for the arrangement. The authors point out that the main pressures facing federations, which must be reined in, originate from two diametrically opposed directions: above and below. The federal government cannot encroach on the preferences of the units so as to completely override their autonomy from the centre. At the same

[72] ibid. pp. 12 and 13
[73] ibid. p. 13
[74] ibid. p. 15
[75] ibid. p. 15

time, the units must not be able to overwhelm the centre with their prerogatives so as to render the centre incapable of providing a standard level of public good apportionment. Using a simple game theory model the authors highlight the dilemma in the following manner: [76]

	Cooperate	Don't Cooperate
Cooperate	***B-T,B-T***	***B/2-T,B/2-P***
Don't Cooperate	***B/2-P,B/2-T***	***-P,-P***

Figure 1: Cooperation without redistribution

Without considering the redistribution mechanism just yet, the authors lay out in plain view the problems of the N+1 game. With ***T*** equalling some sort of cost for federation members such as a tax, ***B*** symbolising some concrete benefit, and ***P*** standing for a form of punishment, we can start to see the logic behind the authors' concerns. In this two unit federation, both units may comply with the rules of the federation by contributing their share of taxes to the centre and receive some sort of benefit (***B-T, B-T***). However, if one of our units defects from paying their fair share, we end up with benefits for all being reduced by 2 (***B/2-P, B/2-T***, ***B/2-T, B/2-P***). No punishments are meted out in the final cell (***-P, -P***) for failure of both units to comply, probably due to the lack of an appropriate enforcement mechanism to prevent defection from the rules of the game.
The following conditions then set up a classic prisoner's dilemma when the punishment factor is 0: $T < B < 2T$. The two units prefer then to defect from the game, even though the preferences may be to comply. However, the dilemma evaporates when the degree of punishment becomes enough of an incentive to prevent defection: $(P > T-B/2)$: [77]

	Cooperate	Don't Cooperate
Cooperate	***2(B-T), 2(B-T)***	**2*(B/2-T), 2(B/2-P)***
Don't Cooperate	***2(B/2)-P, 2(B/2-T)***	***-P,-P***

Figure 2: Cooperation without redistribution and increased benefits

The authors argue that the prisoner's dilemma could evaporate with the increase of benefits to the units without inducing punishments for defection. However, realistically, doubling the gross benefits passed out by the federal government for unit acquiescence would be a very expensive proposition for any federation, risking a tit for tat game in which higher benefits for units' support of the centre would increase each time the game was played.

Another scenario is introduced in which net benefits are increased, as seen in the second matrix. Filippov et al. identify a second problem with the increase of benefits to avoid defection. Without considering the complexities introduced by redistribution just yet, the authors state that increase of net benefits can only guarantee stability in the game if punishments increase in relation to the increase of benefits, so the solution to the second prisoner's dilemma would look something like this: $P > 2T - B$.

In the third matrix, the authors illustrate the difficulties with unit compliance when the redistribution of resources described according to fiscal federalism literature is factored into the equation. Let us assume that the game outlined in the third matrix resembles the relationship between two units in a federation ***1*** and ***2***. Each unit produces goods within its boundaries, symbolised below as ***X***. Both units have different production capabilities, resulting in varying levels of derived benefits: $X_1 > X_2$. We then may introduce to the model a third player, the federal government, which has the authority to redistribute the benefits that the units produced through

[76] ibid. p. 29
[77] ibid. p. 30

taxation: ***t***. The redistribution equation for the budgetary process is a ratio: ***α / t*** and ***α-1 / t***. The final component of the model is the benefit multiplier, which is modelled here as ***b*** units of benefit for each region for one unit that the federal government spends.

The results of the model below demonstrate the problems faced by federations when considering how to redistribute resources to their constituent units during budgetary negotiations. The authors point out that after reducing the equations down using algebra, player 1 choosing from the left will defect when $b < 1/1-\alpha$. At the same time, player ***2*** defects when the benefits it derives from the redistribution process are less than the first unit receives or $b < 1$. Both players are likely to comply when the other unit does so. [78]

	Don't Cooperate	**Cooperate**
Don't Cooperate	X_1 X_2	$X_1+(1-\alpha)bt\,X_2$ $X_2-(1-\alpha)t\,X_2(1-b)$
Cooperate	$X_1(1-t)+t(1-\alpha)b\,X_1$ $X_2+t\alpha\,X_1+t(1-\alpha)b\,X_1$	$X_1(1-t)+(1-\alpha)bt(X_1+X_2)$ $X_2(1-t)+[t\,\alpha+(1-\alpha)bt][X_1+X_2]$

Figure 3: Cooperation problem with redistribution

On the basis of the previous modelling, the authors draw several important conclusions. Namely, that compliance among the units cannot be bought by the federal centre. A precarious balance must be maintained in the eyes of the units concerning the marginal benefits they receive versus their overall contribution to the federal budget. When disparities based upon production capabilities of the units are introduced, the well-endowed unit will prefer not to cooperate because with recycling of the funds to the units, the benefits accrued by the richer state are lowered to compensate for the shortcomings of the weaker unit. The final conclusion reached in the exercise is that even in the face of increasing benefits as a strategy to placate troublesome units, the withdrawal of the subsidy as a punishment for non-compliance does not act as a serious enough constraint against defection. The player on the left cooperates only in certain circumstances. Therefore, without a system of rewards or sanctions to underpin the legitimacy of existing institutions, federal forms of government encounter a major compliance problem, especially when it concerns the redistribution of costs and benefits among the constituent units.[79]

The weaknesses of the N+1 model are apparent in the above argumentation. There is no way for a third actor to consistently ensure compliance in a one-off format. However, a traditional remedy to the prisoner's dilemma reproduced here is proffered. Repetition of the game presented in the third model may provide a respite from the compliance riddle. Stability of the federal relations between the units and the legitimacy of the federal government to guarantee compliance can be maintained when all the players take into consideration the value of future bargaining in terms of their overall individual cost-benefit ratio. The authors rightly surmise that just repeating the game for repetition's sake does not solve the stability problem in its entirety. Three conceptual difficulties arise with the repetition solution to the compliance problem and the long-term stability issue in federations:

> **Simultaneity:** The relationship between economic prosperity and system stability is a "chicken and egg" type of relationship. Economic prosperity may not always lead to political stability, as we saw in the models. Political stability can stunt the growth of

[78] ibid. p. 30
[79] ibid. p 31

the number of actors and diverse interests needed to provide the engine for economic prosperity;

Doomsday scenario: Actors may perceive as temporary their role as subservient to the federal government within the federal framework. If states consider that the federation is only a temporary arrangement, their unwillingness to cooperate will fulfil that end. As identified in Rodden's research, rational economic cost-benefit analysis in federations is problematic in the sense that it does not take into consideration political, social and cultural factors that may also seem sensible in assessing the benefits of remaining in a federation; and

Equilibrium: When considering the levels at which different agreements are sought and sometimes struck among diverse actors within a federation, the issue of equilibrium becomes manifest. If federal relations are based on bargaining between units, different equilibriums will be obtained through competition due to the manifold nature of the actors and their interests over time. Therefore, the bargaining that helps to strike the balance among various actors and their preferences forms a web that in relation to the unfulfilled predilections of other units can lead to less cooperation in the federation itself. Stability does not solve the threats, such as rent seeking behaviour that various agreements pose for federal arrangements.

Complexities of the Bargaining Component

One of the major concerns that face the forgers of a federation is how they should deal with the collective action issues that are ubiquitous in day to day political relations. Attempts to minimise costs while maximising benefits may be a way to conduct business transactions, but when political, social and economic stability as well as the well-being of millions of citizens is taken into consideration, ordinary cost-benefit analyses can be too minimalist to serve the long-term goals of the state.

Despite the problematic nature of the game theory models outlined above in their attempt to explain to some extent how federations form, one concept dominates the discourse: bargaining among political actors. This common thread explains just as much as it impedes research into how federations form and, more importantly, how they either survive or why they disintegrate.

Filippov et al., following the lead of authors of collective action theory, state that rules, contrary to popular belief, are hardly neutral when it comes to the outcomes those rules themselves produce. Due to the nature of bargaining among competing interests, actors possess partiality towards a framework that will inevitably serve their own self-motivated ends. The authors find that the attempt to create a federal centre that abrogates the risks of instability brought about by collective action problems, including the predetermination of outcomes of the bargaining game, is at the centre of federal design. As a result, it is not good enough to establish a certain model governing how the bargaining game is played, but the major obstacle to be approached and overcome in the establishment of a federation is reigning in the bargaining among relevant actors so that negotiations do not hold the federal centre nor the regions hostage to an open ended game which ultimately destroys the federal institutions which form the foundations for negotiations themselves.[80]

[80] ibid. p. 44

Attempts to Institutionalise Bargaining

Federations seek to rein in bargaining activities to avoid the determination of outcomes by the most powerful actors through the implementation of specialised institutional formats. Unlike other arrangements in which actors pool their resources in the pursuit of a common interest, federations introduce another actor into the fold that brings other competences to the game. The traditional conception of a hegemon, one actor that can out-muscle or out-manoeuvre all other actors, in the pursuit of overall stability and harmony among the actors is not a metaphor that is entirely appropriate for explanatory purposes in regard to federal systems. As discussed in earlier sections, too much variance in the economic and political resources within federations can lead to defections from the federal agreement under specific cost-benefit rationalisations.

Although not statistically proven, Rodden did hint at an intuitively plausible influence that geographic size and the resources that states possess may play a role in the degree of stability experienced within a federal system. If there is one large unit that is economically well endowed, it may shirk its responsibility toward the rest of the units in the redistribution process and strike out on its own. On the other hand, the leadership of such a unit may attempt to impose its preferences upon the other units and form the core of a unitary state, abolishing all the autonomy experienced previously under the federal arrangement.

The federal government then is not a hegemon or an alien externality introduced to the institutional framework in order to enforce from without the institutionalisation of the inter-regional bargaining process. On the other hand, the federal centre is not the organic sum of its constituent parts either. The centre, then, whose role its is to maintain the institutional cohesion and balance of the equilibriums obtained through the bargaining process with the units and among the units themselves, is a curious fusion of regional interests, because of their formal representation in the centre's legislative branch, federal interests such as maintaining the stability throughout the federal institutional blueprint, and what may be termed universal or core interests shared by both the centre and the constituent states.

Filippov et al. point out that the two major issues that challenge the structural capability of a federation's institutional framework are collective action dilemmas. It was explained above that the actors through interest competition seek to ensure that rules deliver preferred outcomes. It has also been demonstrated that units may defect, or shirk overall responsibility, to gain more for themselves at the expense of other units. The phenomena in question are of free riding, rent seeking behaviour and redistribution of economic along with political resources so that the system maintains its mixture of equilibriums among the various levels of institutional jurisdiction.

Fiscal federalism exposed the logic and the weaknesses of the redistribution process. All public goods have their private economic production costs. Taxpayers forfeit a percentage of their salary for publicly consumed products such as education, environmental protection, and national defence. Inadequate provision of public goods may affect they way in which private actors behave towards the system forcing actors to vote with their feet. However, this action demonstrates that, as the authors point out, such goods also carry a political cost.

The constituent units in a federation sacrifice a degree of political autonomy over their resources to the federal centre in order for the centre to conduct its constitutionally defined roles within the political structure. Surrender of control over the method by which goods are redistributed also forfeits a degree of political command over the outcomes of the distributive process along with ceding to the federal centre the ability to enforce decision-making results, especially through the use

of sanctions or violence if necessary. The authors glean four essential points from this characterisation of phenomena that take place within a federation:

- **Federations cannot avoid the redistribution issue:** the allocation of scarce goods to very different units is the only manner in which states may maintain the tense relationship between stability and equilibrium;

- **The redistributive issue is cyclical:** preferences over a set of outcomes on the part of diverse actors ebb and flow with the changing economic, political and social conditions experienced in the polity;

- **Outcomes are governed by institutions:** institutions are mechanisms that are programmed "genetically" to provide a method of determining what preference or "social choice" is selected from a predetermined set of options; and

- **Institutional design and social choice are linked**: preferences that determine institutions, such as the form and delineation of decision-making power in a polity, also regulate predilections that govern social choice outcomes.

This model does not presume to provide the panacea for the uncertainties posed over time by the intricacies of federal relations. Equilibriums can be upset by cynical, short term strategies; and stability may be threatened by the loss of equilibrium amongst the various units of the federation. The problem then facing federal design is not the institutions themselves or the procedures that define those institutions responsible for social choice order. The crux of the matter then is creating an environment which replicates an institutional balance in the face of self-interested bargaining on the part of competing elites. [81]

The Federal Centre: More than the "+1" in an N+1 Game

Federations are faced with developing a political, social and economic calculus that must deal with the disparate needs and interests of numerous political actors in a varied environment. Among the considerations that federal designers have to take into consideration are the following. First, federations, at the core of their intrinsic design and construction, incorporate political, geographic, economic and ethnic fissures that unitary systems attempt to reconcile, thus complicating the inter-elite bargaining process. Second, crucial regional political players that could stand to benefit from instability within the federal structure are placed at the centre of power, in the federal legislature, and have legitimate access to extensive financial, political, and legal resources. Third, thanks to their proximity to federal power, regional elites can renegotiate the core institutions that define the federal system through the access they acquire the mechanisms that could be used to benefit their selfish cynical ends.

The convolutions that are presented in the previous sections illuminate the manifold difficulties that federations face in their search for political stability and systemic equilibrium. The N+1games demonstrated that simple gaming models that present the federal centre as an external actor established as a hegemon over the constituent units as envisioned by the political school are

[81] ibid. p. 56

insufficient in illustrating the special role that the federal centre plays in meting out solutions to the preference competition that colours all federal systems.

Stability cannot be based on simple cost-benefit analyses or redistribution equations developed at the centre because regional elites have widespread access to federal resources and the ability to renegotiate key federal institutions. It would in turn be naive to theorise that the centre is an actor that is completely divorced from the constituent units, existing as a dominant force over the states that created the federal level, possessing its own inherent preferences with the power to defend its interests in relation to its essential parts. This view assumes that through a process equivalent to political and economic alchemy, the federal government is created out of some mysterious concoction based on a vague common shared interest. Once completed, the federal centre again out of thin air creates its own power base from which it can legitimise the defence of its own inherent preferences in relation to the constituent units themselves. In other words, in this theorisation, the whole federal system is not created by the sum of its ingredient parts.

The difficulties in conceptualising the exact composition of the federal centre, the roles it must play and its legitimisation in the federation are at the crux of how federal systems should be defined. The federal government can generate its own interests, but they are not fully distinct from those preferences of the regions themselves. Seen in the context of fluid external and internal influences, the federal government may create its own preferences divorced from those at the regional level, but these preferences are formed within the framework of the federation itself. Legitimisation of the federal centre seems to be derived from its ability to give regional elites a degree of access to avail themselves of the resources and mechanisms at the centre of power that may significantly change the structure of the federation as a whole, while at the same time demanding for the federal centre the ability to reject such modifications when they threaten the overall structural viability of the overarching federal political arrangement.

The N+1 model is flawed also in its approximations of just what issues drive elite bargaining. Bargaining games modelled in the third matrix displayed a frightening scenario for federal planners. In their search for accommodation of the two units' interests in terms of benefits versus taxes, repetition on the prisoner's dilemma could lead to a never ending tit for tat game in which one unit may extract an increasing degree of concessions from the centre in order to buy the offending unit's support. This strategy only leads to increased levels of demands from the other unit to remain in the game. The inflationary nature of the game will lead to the doomsday scenario in which the units will ultimately defect from the federation only when the centre can no longer pay for their compliance. A better strategy would be to maintain the balance among all the federal subjects so that the federal centre does not become hostage to the self-centred preferences of a few units. Bargaining strategies should focus upon "competition among federal units", not along the interest fractures of the centre-periphery axis. It is more important to "ensure that no subject or subset of them can 'capture' the centre to the disadvantage of the rest."[82]

The Institutional Design of Federations

Taking the concepts of stability, institutions and their ability to legitimise themselves, an institutional framework is constructed, which attempts to tie together the mechanisms that were outlined in detail in the economic and political approaches to federal forms of government. The blueprint consists of three interconnected levels of provisions that outline institutional frameworks

[82] ibid. p. 63

each with a specific function to play in the regulation of competition over societal preferences regarding political and economic authority and decision-making.

The first level concerns the general lay-out of core concepts, the bedrock upon which the state and its institutions rest. Constitutional constraints on federal bargaining included in this level of the design are provisions that "empower the state, limit its incursions into private affairs (bill of rights), and restrict the dimensionality of constitutional negotiation – the scope of the government."[83]

The requirements that establish the general boundaries of state power in Level I are by themselves necessary, but not sufficient for the federal state to become viable over time. Level I constraints give way to the institutional formations of Level II. These include the principles of government structure. Here the design of institutions that will frame the regional-federal bargaining games is formatted and exactly under what auspices, institutional or direct, elites will bargain is determined; institutions enforce the general principles laid out in Level I, but are dependent upon the validity of the conditions created at Level III.

Level III then is composed of those mechanisms that amalgamate the various levels of government. These are composed of institutional devices to encourage political party integration. This third level forms the mortar which fastens elites in the federal system together. Elite preferences are also tied to the electorate through the creation of integrated political parties. Through the electoral process, elites become more accountable for their decisions to voters. The number of elections, their makeup, and posts open to electoral contestation are crucial components in maintaining the longevity of the constitutional constraints and the legitimacy of Level II institutions.

The symbiotic relations outlined among the levels highlighted above stress continuity and systematic modification simultaneously by defining institutions that not only regulate bargaining games among the elite, but which also may be modified by those negotiations as well. Through the merger of elite preferences and accountability to the electorate, federalism attempts to balance out the autonomy of the federal units and the legitimacy of the federal centre. The bargaining that takes place to establish such an institutional arrangement is not unlike a prisoner's dilemma game. However, as Filippov indicates, that game is not a one-off type of situation due to the renegotiation that takes place over institutional design. Issues such as personal self interest, redistribution of resources, problems concerning the ethnic make-up, variation of economic and political strength of the units, along with compliance within the federal framework, complicate the conditions and cannot be handled in as a one-off event.

The condition of stability would never be achieved. Stability, institutions, and their subsequent self-sustainability can only be obtained if federal negotiating games are handled mutually at all levels of the federal structure by the rules outlined at Level I. Elites cannot guarantee their own security and protect their core interests without cooperation from other actors and reliable, self-enforcing institutions. Furthermore, players must not only see the incentives to cooperate in the game, but feel over the long-term that it is in their inherent interest to do so by playing according to the rules.

Level I: Constitutional Constraints

Because the fundamental problem of federal design is to supply a stabilising institutional context for bargaining over inherently redistributive policy, and because these institutions, many of which are

[83] ibid. p. 294

constitutional, are themselves subject to negotiation and reinterpretation, the idea of a constitution as a living document reflects the conventional wisdom that such things as the division of prerogatives and jurisdictions between federal subjects and the federal centre should not be impervious to adjustment and redefinition as society evolves and circumstances change.[84]

Constitutions provide the basis from which federal bargaining can commence, although, as will be shown below, there can exist a great gap between what rules are written down and what rules are used in governing elite preference competition. What we are interested in here is determining what elements make elites feel that it is in their interests to follow constitutional restrictions when competing over their preferences. Constitutions must not only be believable in a sense that elites perceive it to be in their best interests not to tinker with the core institutions in order to predetermine outcomes in their favour, but they must also strike a balance so that the system, if changed, maintains its legitimacy and stability**.**

Filippov et al. see this relation between believability and equilibrium as a product of the constraints that are produced by an institutional framework that governs the bargaining process. The authors refer to the existence of a constitutional "super game",[85] which consists of a web of rules that forms an institutional balance. These rules concern the nature of the division of powers in the federal government, rules concerning the nature of elections, including frequency, the number of posts open to electoral competition, the structure of the judicial system, the jurisdictions assigned to the federal units, and what powers each level of government possesses in terms of decision-making. This latticework of far-reaching regulations binds the Level I and Level II constraints together.

Level II Constraints: Government Structure

If Level I is the embodiment of core interests of the institutional superstructure that determines the parameters of bargaining within a federation, Level II are the constitutional mechanisms which form the basis for and constraints over the bargaining process.[86] These institutions include the formal separation of powers; the legislative authority of the parliament; legislative authority of the executive; amending the constitution; veto and override provisions; term limits; political structure of federal units; and regional authority over national representatives.[87]

The interaction among the different branches of government, their specific duties and responsibilities along with the boundaries of their decision-making power are all present in Level II. Again, the factor that is crucial to the long-term maintenance of the entire system is the creation of "incentives" that motivate elites to sustain their belief that, despite a negative outcome, institutions will guarantee that the losers can always re-enter the competition to forward their particular interests again. The most obvious manifestation of such an institutional arrangement is the presence of a national legislature. This body is more than the meeting venue for representatives of society's dearth of preferences. On a more abstract level, it is the forum in which institutionalised bargaining takes place.

Filippov et al. divide types of Level II constraints into two classes: those that are the by-product of the N type of game, in which a number of players negotiate amongst themselves to determine the

[84] ibid. p. 76
[85] ibid. p. 77
[86] ibid. p. 112
[87] ibid. p. 128

results of bargaining among the units, or the already familiar N+1 model, in which federal units divest an amount of power to a federal government that is empowered to arbitrate competition among units, with the goal of maintaining stable relations among the constituent states at the heart of the centre's duties. The qualification of representation within the N and N+ 1 model depends upon how the federal centre works in relation to the units themselves. In the N model of federations, the federal units determine to a large extent the policies that they will enforce upon the centre, from outside the federal framework, such as in Canada, and to an extent, during the Yeltsin administration in Russia. The N+1 alternative sees representation of units' interests being reflected within the federal government itself. The Federal government's institutional structure therefore takes a more active role in policy formation and balances out to some degree regional initiatives, such as in the US and Germany.[88]

Both versions of representation have their own advantages and drawbacks. The inherent contradictions that are built into the "within" system of representation, achieved by including regional interests at the centre of federal institutions, binds regional prerogatives to federal constraints. The combination of two diametrically opposite trends acts as a brake upon outcomes going to the extreme either in favour of the regions or more towards federal preferences. The authors indicate that this cancelling out of extreme preferences is achieved through the need of regional representatives to achieve a broad support base for their proposals.

The second advantageous element in "within" systems of representation is the norms and rules that govern debate within the representative chamber. Deliberations are limited to a specific agenda controlled by powerful actors within the legislature itself. Rarely will an item be entertained if it falls too far outside the relevance to the agenda and competency of the chamber. The relevance of the issues encountered on the agenda and the need to form a broad base of political support leads to the creation of a coalition dynamic among the interests represented in the legislature.

The viscosity observed in the making and breaking of alliances within the chamber also ensures that a permanent polarisation of interests is avoided. The stagnation of coalition building within federations can lead to loggerheads in the policy making process which in turn makes it almost impossible to make any sort of headway on any relevant issue. The complete polarisation of the parliament regarding the status of regional units within the reconstituted federation leads to the defection of the executive branch of government from federal negotiations, thus almost culminating in unmitigated and bloody civil strife.

The last advantage identified in the "within" system is that of transparency of parliamentary procedures. If as hypothesised above units are forced to seek allies so as to fulfil their preferences on relevant orthodox issues, then the rules by which decisions are reached in the legislature must also be transparent and lead to clear outcomes. Even if the decision reached is contrary to the preferences of some regional units, the process itself is judged to be non-discriminatory and, on balance, provides no reason to defect from the game.

The "without" system of representation does possess the advantage of flexibility, especially in terms of agenda setting as well as procedures that inevitably lead to outputs derived from the bargaining among federal units. Yet, the flexibility of the system can also hamper attempts by the centre to avoid the crucial problems of rent seeking and capture of the centre by constituent units. Not much unlike the pessimistic behaviour displayed by the units in the N+1 game where their preferences were maximised at the expense of federal viability, "without" models, which treat the federal

[88] ibid. p. 117

government as an externality, in severe crises may see a weak federal government do almost anything to maintain the federation.

Level III: Institutions

It is all well and good to speak about institutions that are based upon the core interests of those elites that lay the fundamental ground work of a federal political system. However, by focusing solely upon the institutions themselves and the authority that is ascribed to them, we are back to the procedural debate concerning federalism. The questions left unanswered are those concerning the composition of the system. The flow charts and mechanisms have been discussed, but what about substance? How does the general public in the polity fit into the designs of the federal arrangement and from where does the system that seemingly is preoccupied with the critical issue of controlling elite preference competition gain its legitimacy from the general population? The authors identify the nature of the political party system as the crucial cog in the federal arrangement that binds the institutional structure together in a complex, yet cohesive structure. From top to bottom, political parties act as conduits, along which travel policy preferences starting all the way at the bottom at the local level, to the top of the federal hierarchy. It is also conceptualised that from the top down, the system is reinforced by the derivation of accountability of elites to the general public through the electoral process**.**

The authors hypothesise that it is the electoral and party systems that force elites at the very top of the political system to seek compromise through non-partisan politics and coalition building to maintain their position in the polity. Filippov et al. argue the crucial factor in maintaining their influence over preferences depends upon the demonstration of *leadership*. Although a vague concept, its quality is tangible especially in times of crisis. The main critique of Gorbachev's as well as Yeltsin's administrations was their personal inability to find a way in which the crisis could be averted. Whether it was Gorbachev's indecision on crucial issues such as the status of ethnic regions within a reformed USSR or Yeltsin's incompetence in controlling business interests at the centre of state power, the fundamental factor missing was the ability to analyse the given situation, develop a firm response to the problems and, within a specific vision for the future form of the state, follow the identified course of action.

Another factor contributing to the importance of Level III institutions is the scope of the electoral process. It is not sufficient to have periodic elections for a limited number of posts within a polity. This type of limited election model would seemingly only serve as a thin veil of democratic mechanisms justifying a less than transparent institutional structure under the surface. The authors endorse a "more is better" approach to the degree in which elections should pervade the political system. Elections should be held regularly and should concern all the various levels of government. In this way, the more posts are up for grabs, the more candidates are responsible to the public's views and preferences, and this creates a check against pervasive rent seeking behaviour on the part of state officials, including those at the very pinnacle of political power.

In tune with the important role that political parties play as the laboratories that create the next generation of the political elite, the authors equate secondary effects that are produced when the local boy makes it good at higher levels of the political system. The issues and interests that the local candidate was exposed to during his or her time spent in the local constituency are brought along when candidates start to climb the party ladder. Connections to home form a power base that acts as a trampoline for political career moves later on. This local "dyeing" affect may colour decisions taken at higher levels, and in acute cases, local issues may be even brought directly to the notice of federal officials for adjudication. The most intriguing aspect of Level III institutions is the

means by which they come into existence. Level III institutions described above form the boundary between the formal and informal, the contact point between form and substance, at which intentionally designed constructs meets spontaneous responses to the realities posed by existing political economic and social conditions. This process is termed simultaneity.[89]

The Constitutional Super-game

The greatest impact that this mesh of interconnected rules and statutes has on the political system is in controlling the nature of bargaining among various political actors. The authors identify two basic types of bargaining with a federation:

Institutionalised bargaining: competition that takes place under the auspices of accepted rules and regulations outlined in Level I and Level II. The nature of the competition concerns policy making and implementation as well as within what specific political boundaries decision-making responsibility falls; and

Un-institutionalised bargaining: in this type, the network of rules that strike an equilibrium though institutional constraints does not exist, or they are only flimsy barriers that present an institutional construct without any tangible substance because the rules and institutions themselves are under constant review and retooling.

Even if various levels of constraints exist within a federal system, there is no guarantee that any of the constraints will be adhered to or that the prohibitions will be able to limit zero sum games or rent seeking behaviour on the part of elites that are bargaining in their own interests. At this point in the analysis, there must be a way in which all three levels of constraints can be fit together so that they maintain an institutional equilibrium[90] and limit renegotiation of the institutional structure of the federal system. The authors term this interaction of laws and regulations among the various levels of constraints as a "super-game",[91] the purpose of which is to maintain the institutional equilibrium.[92]

The super-game in essence determines the type of bargaining and renegotiation that is allowed to take place within the confines of the institutional arrangement. As we have already seen, there are two type of bargaining that take place within a federal system. Institutionalised bargaining[93] brings to an end the re-circulating, constant battle over Level II constraints. Institutionalised bargaining allows for a situation in which Level II constraints are stable and are only changed, as pointed out above, when their modification can bring about an increase in systemic harmony and stability in the redistributive process. Conversely, un-institutionalised bargaining refers to a situation in which the constraints to bargaining themselves are under constant negotiation among competing elite groups. Through the reduction of institutional stability, un-institutionalised bargaining contributes to the shortening of time horizons for elite preference formation and increased cynicism at the expense of institutional harmony. [94]

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[89] What needs to be stressed here again is that this simultaneity is not constitutionally mandated or the product of any other provision we might assign to Level II but is instead the product of state law and an understanding among those who write the laws of the advantages to them of allowing integration full play in the political process – of allowing their electoral fates to be linked via the party labels they share. Ibid. p. 240

[90] ibid. p. 77

[91] ibid. p 77

[92] ibid. p 77

[93] ibid. p 77

[94] ibid. p 78

The glaring difference between the two types of bargaining is that institutionalised bargaining provides a framework in which constructive redistribution can take place within the federation over the long-term. However, if the institutional framework is subject to the ebbs and flows of elite preferences, the institutional equilibrium changes in such a fluid manner that no constructive redistribution of resources can take place. Un-institutionalised bargaining terminates the institutional equilibrium and introduces a state of nature to the negotiating process among the units themselves and with the federal authorities as well. Under un-institutionalised conditions, stability within the system lasts only for as long as such equilibrium is in the elites' interests. Once that institutional equilibrium has lost its utility, renegotiation commences yet again and new institutions may be constructed. The new institutions would be very weak; after all, they have been constructed to suit the needs of a temporary, short-term, elite-centred equilibrium not one in which institutions provide the impetus for longer-term, institutionally derived arrangements.

	Classification of Federal Systems	**Causality**	**Main Mechanism in Maintaining Federal Systems**	**Treatment of USSR and RF Federal Systems**
1) Riker and Schapps	**Procedural / formal**: division of legislative powers in federal, regional and local hierarchy	**Unidirectional**: Shared set of inherent common interests (external security threats).	**Strong Centralised Political Parties**	**Mixed systems**: informal league combined with nation state components.
2) Stepan	**Procedural Asymmetry**: division of authority according to regional ethnic, linguistic, economic and geographical factors.	**Unidirectional**: decision-making authority is distributed according to differentiated set of regional competencies	**Flexible Federal government which distributes competencies based upon regional characteristics**	**Holding together federal systems**: strong unitary characteristics with serious variation in ethnic make-up of regional units.
3) Oates	**Fiscal Federalism**: efficient provision of public *economic* goods between the central and regional governments.	**Unidirectional**: redistribution policies coherent with diversified local economic interests and needs.	**Federal Transfers (grants) and taxation coordinated by the central authorities.**	**Federal Centre (Moscow) as sub-optimal distributor of public economic goods.**
4) Rodden	**Federalism as legal fiction**:	**Multi-directional**:	**System of institutional**	**Federal Centre and regions**

	non-cooperative bargaining game amongst competing regional and federal authorities	mutable institutional constraints that redistribute authority according to variable elite interests.	**incentives that regulate cynical elite behaviour.**	**compete over distribution of authority in an institutional framework which under-determines incentives for cooperative behaviour amongst elites.**
5) Filippov et als.	**Federalism as open-ended bargaining game**: continuous redistribution of decision-making authority spawned by inter-elite bargaining amongst regional and federal elite.	**Multi-directional**: continuous flow of authority based upon elite and societal political and economic preferences.	**Stability, Institutions and Self Enforcement**	**Elites compete over distribution of political, economic and social authority in an imperfect institutional environment; rent seeking encouraged sum zero outcomes observed.**

Identity: The Ties that Bind?

Although ethnic identity is a widespread phenomenon observed in most states, identifying the crucial determining factors that comprise and characterise specific societal groups is almost an exercise in futility. According to vernacular usage, ethnicity and nation are interchangeable terms that connote an expression of self-identification, originating either from the individual in society, or from the institutional framework of the state.

The process by which outside observers attempt to ascertain just what makes an individual Russian and another Urdmurt is taken for granted. Frequently, assumptions along the lines of linguistic differences, territorial boundaries, or racial standards are used as a basis for determining a group's identity. In other instances, loyalty to a specific state or national idea is used as evidence demarking a separate group's unique characteristics. In each case, identity is haphazardly dealt with; and its underlying substantive components are based upon inexact, highly subjective or biased criteria.

However, this study rejects these vague classification and sides with a robust designation, one that adopts a more appropriate schema for determining how identity is formed within a polity. For the purposes of this research, it is felt that in order to establish a more focused conceptualisation of identity and how it may ultimately influence the organisation of political, economic and social relations in the Russian Federation, a simple definition should be proffered first. Therefore, identity is a notion to which individuals and groups within society associate themselves naturally in relation to other individuals and other groups in the same social, economic and political context.

This rough introductory conceptualisation describing a complex idea leaves room for externalities, such as a political elite, to shape and influence an individual's and a group's concept of identity. At the same time, externalities can be formed and moulded by the group or an individual themselves, thus they assume an active role in the creation of a specific identity, whether it be formulated according to an ethnic (language, race, territory, creation myth) or national (citizenship, institutional framework) basis.

Put simply, identity is not a passive concept. Nor is its influence unidirectional. As much as individuals conceive of themselves being a member of a specific identity, their conceptions are moulded and in turn define the specific characteristics of a particular group, whether it be their own or someone else's. The concept of identity is therefore symbiotic and self-reinforcing. The concept of identity may produce profound consequences not only for those members of specific groups, but for the overall political stability of the state itself, especially in times of institutional crisis.

To aid in constructing a more transparent understanding of the concept of identity, several distinctions must be made prior to the term's further discussion. As discussed in the following sections, theoretical treatments of identity can be divided into two major schools, modernism and primordialism. While both seek to explain the substantive complexion of identity, they differ significantly in terms of what are the major ingredients that contribute to a group or individual's conception of self.

Modernists link, directly and in some associated trends indirectly, feelings of identity with the development of the modern nation state, the process of industrialisation, economic growth, institutions, and the need for organising society along economically, politically and socially rational lines. By contrast the primordialists link identity with kinship bonds, predetermined at birth through

a historical connection to bloodlines, expressed through language, race, territory, and a tribal historic myth, all of which transcend manifestations of the nation state. Ethnic and national forms of identity are not mutually exclusive; both may develop within a specific group or may be fostered from higher up in the social, political and economic hierarchy.

For the sake of clarity, the paper presents identity, whether the primordialist or modernist version, as an tangible conception of self through which individuals and groups identify themselves in relation to the surrounding population in a specific society. However, this approach does not support the idea that forms of identity cannot be translated into forces for political, economic or social change. In fact, the actuated form of identity is hypothesised to be nationalism. [95]

Nationalism is presented as a dynamic manifestation of ethnic and national identity in a social, economic and political context. Nationalism is the force which puts the particular conceptions of identity into circulation in competition for political, economic and social power. Whether it is to legitimise a particular elite's political and economic agenda, the basis for a grass roots movement for recognition of a group's right to self-determination, or a method by which the institutional structure of a state is organised, nationalism is the animate expression of the ethnic idea. Since nationalism can be observed in concrete institutional, legislative and social forms, it is maintained that the level of national identity activation is the mechanism that may be measured in order to substantiate the degree to which ethnicity affects elite competition and the institutional structure of the Russian Federation.

Typology

Nationalism is broken down into two major categories and a related sub-classification based upon the form of identity from which it evolves. Related to the modernist concept of identity is the western perspective of nationalism. Identity is therefore directly linked with concepts of citizenship, the relation to the polity and not to a specific ethnic group per se. Legality and ethics ties the individual to the group and it is the sense of egalitarianism which maintains cohesiveness and benevolence among individuals.[96]

At the other end of the spectrum is the so-called eastern variant which is closely aligned with primordialist, ethnically based views of identity. While categorising types of ethnicity is helpful as an analytical tool, the observable evidence to support the existence of such pure generalisable characterisations of nationalism is sparse. The groups are not mutually exclusive; civic nationalism may be based upon an ethnic core. There are no prohibitions for an ethnically based society espousing a religious base to its societal relations as well.

There exist several examples in reality which demonstrate that a multi-cultural form of nationalism, based upon a complex strategy of extending civic forms of identity to a diverse group of ethnically and religiously founded societies within a specific polity, is possible in multi-national states. In practice this balancing of ethnic, civic and religious based identities and their related nationalist

[95] Nationalism is the expression of the community's sense of identity and purpose as articulated by a myth-symbol complex. Because nationalism can also serve as a political ideology with detailed prescriptions for the society's organisation and its behaviours toward other collectives, nationalism and national identity are not always synonymous. Nevertheless, nationalism, as the expression of a community's sense of identity, and national identity represent a single phenomenon. See Hunter, Shireen T. (2004): *Islam in Russia: The Politics of Identity and Security* (London: ME Sharpe), p. 138

[96] ibid. p. 140

expression presents a great challenge to the state's leadership, especially if preferences among the diverse groups are extremely divergent. [97]

The Theoretical Foundations of the Identity-Nationalism Predicament: Cultural – Primordialist and Modernist Approaches

In her book, *Islam in Russia,*[98] Shireen Hunter identifies several pertinent questions that are necessary to answer in order to clarify arguments surrounding the related concepts of identity and nationalism. Her questions focus upon categorising the major facets that determine what an identity is. In the context of identity, the author also raises the point that nation and ethnicity may not be the same concepts as some may assume, especially in the Russian case where these contradicting notions were institutionalised by the state itself, with the bureaucracy creating specific groups out of thin air to justify newly established regional boundaries. She also brings up a point that is crucial to the Russian case as well, questioning whether or not institutionalisation of identity from the centre is actually a successful, stable, and long term tactic in pursuit of regime consolidation.

Trying to decipher a workable technical definition of nationalism also proves to be just as problematic and complicated as classifying identity. The schools of thought regarding the specific foundations of identity and nationalism are categorised by an explicit theoretical dissonance. The theoretical branches can be classified into two separate sets: primordialist and modernist. The discord between the two philosophical traditions is centred upon the fount from which notions and expressions of identity flow. For the primordialists, identity is inextricably linked with a sense of ethnicity. Identity itself is hardwired into an individual at birth, regardless of social, economic and political externalities. According to Gorenberg's perception of the primordialist view, a person comes into the world already equipped with a specific set of ethnically based criteria, which predetermines his or her group membership. [99]

Hunter's assessment of ethnicity and nationalism in the primordialist view develops Gorenberg's concept further. Ethnic forms of nationalism extend from a group's historical sense of difference constructed in the face of individuals who are perceived as "others" and thus may pose a threat to the original group's existence.[100] The primordialists assume that people feel and sense what their ethnicity is inherently and thus ignore the existence of external factors such as institutions or an individual's ability to determine his or her own ethnic preferences. The primordialist model is weakened in terms of its explanatory power, especially since as a theoretical account for why individuals "feel" to be of one group and not another it may prove hard to falsify through scientific testing.

Critiques of the Primordial Approach

In response to primordialism, instrumentalists perceive the primordial explanation as unrealistic. In their view, ethnic groups are constructs; identity is a tool, created and manipulated by societal elites in order to delineate powerbases in their pursuit of economic and political benefits. Nationalism is

[97] ibid. p 141
[98] ibid. p 137
[99] Dmitri P. Gorenburg, *Minority Ethnic Mobilisation in the Russian Federation* (Cambridge: Cambridge University Press, 2003), p. 5
[100] Shireen T. Hunter, *Islam in Russia: The Politics of Identity and Security* (London: ME Sharpe, 2004), p 138

the result of elites mobilising the group by promising material benefits to participants according to predetermined a cost -benefit equation.

As part of the instrumentalist appraisal, institutionalists agree that identity is a construct, and nationalist mobilisation is derived from elites pursuing their own self-interests. However, institutionalists place a substantial amount of significance on the role that institutions[101] play in the determination of identity within society. [102] Institutions are guidance mechanisms that limit the strategic behaviour of political actors by reducing the set of behavioural options they can chose from to compete for their interests. They, "control the flow of information, thus constraining the strategies pursued by actors in the political arena."[103] Institutions formulate the enforcement mechanisms that bind actors to agreements. In the case of defection, institutions prescribe sanctions for actors' deviation. Institutions not only shape actors' preferences and ultimate aims, but can be used to interpret and analyse specific courses of action available in the current societal context.[104]

In some cases such as the Soviet Union, the state's own institutional framework offers the population a choice in terms of their identity according to established ethnic categories. Changes in the official definition of ethnicity within the institutional framework can cause ethnic competition to occur. Under other circumstances institutional change may cause nationalism to arise as part of a slow and gradual process. However central the role institutions may play in the formation of actors' strategic behaviour, preferences and goals, we are still left with trying to fill a gap in forming a plausible explanation in terms of identity formation. Are institutions the central mechanism in forming identity preferences amongst the populace or do individuals themselves create their own conceptions of self-identification?

The problem is centred upon the essential nature of actor agency and choice, which in the case of identity may be more emotional than rational. Individuals may subscribe to a set of characteristics according to the primordialist model based upon the emotional ties they perceive with a certain kin group. Actors may also build identity preferences and freely gravitate to certain characteristics that fit their ideal sense of self based upon ideas proffered by institutional frameworks. In any case, identity is most probably subject to individual preferences based upon that person's own experience and exposure to various ethnic or national characteristics. Gorenburg sees a definite structural prioritisation of choice between those made by the individual themselves or those provided by institutional structures.[105]

Preference differentiation amongst the population may then explain why certain individuals feel themselves to be a member of a specific ethnic group. This identity is fixed in the sense that once the conception of self-identification has solidified, it rarely changes. Therefore concepts such as self worth and approaches adopted by social psychology may be crucial in determining an individual's ethnic preferences and social behaviour. In such a case, individuals are motivated not only by economic incentives, but their own perceptions and attitudes towards other groups.[106] However, despite the more perceptive conceptualisation of identity, the instrumentalist – institutionalist

[101] Citing Hall and Taylor (1996), Gorenburg defines institutions as "the formal or informal procedures, routines, norms and conventions embedded in the organisational structure of the polity". See Gorenburg, p.27.
[102] Gorenburg, Dmitri P.(2003): *Minority Ethnic Mobilisation in the Russian Federation* (Cambridge: Cambridge University Press,), p. 27
[103] ibid. p 27
[104] ibid. p 27
[105] ibid. p 27-28
[106] ibid p 5

approach is also limited in the level of explanatory power because the theory only clarifies nationalism under certain circumstances.

Modernism

Instrumentalism and institutionalism have contributed several key components to the analysis of the identity and nationalism discourse. Their rejection of the essentialist ethnic primordial nature of explanations for identity and nationalism is rooted in the second major theoretical school, modernism. In its effort to explicate identity and nationalism in a contemporary societal and political context, modernism rejects primordialism's link to historically founded, pre-existing, pre-determined ethnically tinted aspects from its analysis.

In the modernists' view, nations are neither natural nor necessary components of society or history: they are a purely modern phenomenon and the result of the rise of capitalism and extensive bureaucratic organisation, which are both the consequence of and a contributor to the rise of the centralised state and secular utilitarianism.[107] Modernism can itself be divided into several trends, each focusing on aspects of the contemporary nation state as a major influence in the creation of identity including industrialisation of society, capitalism, and the decline of the influence of religion in today's globalised society. In the categories outlined by Hunter,[108] there are three major trends in modernism. Economic factors are at the centre of Ernest Gellner's analysis. In order to legitimise their pursuit of economic wealth through industrialisation, modern elites need an instrument to garner the loyalty of the citizens of the state; that mechanism is nationalism. The economic nature of ethnicity is instrumental in the organisation of modern society.[109]

Other researchers see that nationality provides the links between people in the absence of previously predominant societal bonds such as religion. According to Benedict Anderson's hypothesis, the new bonds are a result of imagined psychological and cultural link. The main driving force behind identity and nationalism in the paradigm is derived from the individual's search for an approach to human mortality through group association and communication. By being a member, the individual's worth is extended through the continuity of the overall ethnic group.[110]

Not all modernists conceive of nationalism and identity as core aspects of the modern nation state. Structuralists for example, theorise that nationalism and ethnicity are by-products of the development of present-day polities. Far from being a positive integrated aspect of modern economic, political and social relations, nationalism and identity are unintended results of the state-building project that separate people into groups and therefore possess the potential to undermine the long term stability of the nation state.[111] Despite the paradigmatic nuances, for the modernists, nationalism is intricately linked with the concept of belonging or pledging loyalty to the nation state and not to a specific ethnic group within the society itself. Nationalism is therefore equated with modern concepts of citizenship, and submitting oneself to the laws and customs of the modern bureaucratic state.[112]

[107] Shireen T. Hunter, *Islam in Russia: The Politics of Identity and Security* (London: ME Sharpe, 2004), p 138
[108] ibid. p 138
[109] ibid
[110] ibid. pp. 138-139
[111] ibid.
[112] ibid. p 139

Other Alternatives

A third set of scholars aims to bring the valuable insights of the two divergent schools together. They accept that despite its dubious nature, groups in society see themselves as part of a historically legitimate, unique ethnically defined group. They also recognise that institutions and the specific attributes of the nation state have contributed to the development of identity and nationalism as well.

The first group of these hybrid theories is called neo-primordialism. This school's adherents see that the concept of ethnic identity at the core of the nation state concept. Without a specific ethnic identity to adhere to, the modern state could not organise itself coherently. Economic factors such as growth and industrialisation are of secondary importance. States have sought to homogenise identity in order to stabilise social relations within their borders. In response to standardisation, ethnic groups have resisted and become more virulent in defence of their own unique identities.[113]

The second hybrid school stresses the importance of the role of the nation state's ethnic core even more. They disagree with the neo-primordialists in the sense that nationalism and identity are modern phenomena. However, modern states need national identity and nationalism to survive in a globalised international environment. If contemporary states lack a national core, the state must create one. Citing present day examples, nation states rely upon ethnic ties which add to the state's historical legitimacy and subsequently contribute to their overall institutional stability and continuity.[114]

The difficulty in coping with the concept of identity and nationalism within an institutional framework such as a modern state is not only that the concepts themselves are amorphous, but we are not just dealing with unresolved questions concerning the nature of identity and nationalism (***what***), but ***when*** do they appear as social phenomena and ***how*** are they formulated as well as ***by whom*** and ***for what*** purposes.

Both primordialism and nationalism provide explanations pertaining to the substantial question: "***What is identity and nationalism?***" The modernist approach provides detailed explanations for the methods by which nationalism is manifested within society, especially through the institutionalist strand, where institutions are the manifestation of a civic form of national identity. Instrumentalists also may explain both the ***by whom*** and ***for what*** questions through their use of rationally based elite behavioural paradigms focusing on in whose interests national movements are organised to conceptualise both identity and nationalism. Still, all the explanations seem to leave out the ***how*** and ***when*** question from their treatments.

Nationalist Activation in the Soviet and Russian Framework: Modernist, Primordialist or Hybrid Approach?

Not unlike the federal structure of the Soviet Union and the present day Russian Federation, identity was and has been imposed upon multiple groups within the state's territory not only to organise the state's decision making hierarchy, but to legitimise the new regime in the eyes of an apprehensive

[113] ibid.
[114] ibid. pp. 139-140

populace. There are instrumentalist, institutionalist and primordialist components to the Soviet approach.

Utilising the theoretical categories presented above, a rudimentary framework can be assembled to make some sense of the identity puzzle that is presented by the USSR.[115]

In order to first win back and then consolidate their regime over the fractured empire, the Bolsheviks under Lenin went about shoring up support for their new state by appealing to the oppressed ethnic groups of the fallen Romanov Empire. A declaration of rights of the peoples of Russia was presented as a major component of the Bolshevik nationalities programme.[116] In effect, through the 1920's and 30's a deliberate campaign was begun to reform the country's organisational structure along ethnic lines. The identity concept had been ***primordialised*** at the ground level focusing on ethnic conceptions of self: language, kin, history, and territory. An individual's identity and subsequent group membership was exclusive. A single individual belonged to one ethnic group only, usually determined by less than rigorous methods.[117]

This membership was enshrined in the internal passports issued in 1932 assigned the bearer a nationality, which once noted could not be changed.[118] The formation of ethnic republics in a federal framework ***institutionalised*** ethnic identity within the state decision making hierarchy as well as in the general population. The institutionalisation process focused upon fusing the established ethnic identities of the country with the federal institutional structure of the state. Territorial boundaries, drawn along linguistic, ethnic, historical territorial lines formed the new regions of the Soviet State. These boundaries did not always correspond fully to the populations which were to be included within the new ethnically designated republics. [119]

The organisation of administrative units was divided into four separate levels, (union republics, within which were lesser national homelands such as autonomous republics, autonomous oblasts /regions and autonomous okrugs / districts) each tier granted specific degrees of formal and informal powers, including levels of autonomy from the federal centre, depending upon its importance within the decision making process. [120]

Under the federal organs in Moscow were the Union Republics. These 15 territorial units were granted in formal rhetoric, if not in practice, full sovereignty over both domestic and international dealings. These rights all were enshrined in the republican constitutions. Built on top of the constitutional foundations were institutions that lent their own structural legitimacy to the notion of Union Republic sovereignty. Each Union Republic possessed its own state symbols, republican based legislative bodies, representation in the legislative and bureaucratic bodies in Moscow, their own educational systems,[121] and most importantly, observable of decision-making authority and autonomy from the central organs of power.

At the next level were the oblasts, krais and autonomous republics. The major difference between the oblasts, krais, and autonomous republics was the ethnic component of the autonomous regions. Unlike the oblasts and krais with which they shared a comparable level of administrative political

[115] ibid. p. 207
[116] ibid.
[117] See Gorenburg, p. 29
[118] ibid. p. 30
[119] Shireen T. Hunter, *Islam in Russia: The Politics of Identity and Security* (London: ME Sharpe, London 2004), p. 207
[120] See Gorenburg, p. 28
[121] Tuition was conducted in the republican language right through university.

clout in the federal scheme, autonomous republics were considered partially sovereign and also had their own constitutions and government organs, which were not accountable to the Union republics themselves. Their administrative power circumvented union republican structures and could call upon federal level legislative bodies to arbitrate in their favour. However, despite their increased access to the higher levels of the administrative system, levels of autonomy in terms of education and budgetary issues were not as extensive as with the Union republics.

Subordinate to the krais, oblasts and autonomous republics were the autonomous provinces and autonomous districts. Administratively, the provinces were subject to a direct line of authority from the top of the federal hierarchy in Moscow, through the union republican capitals, continuing through the oblast, krai, and autonomous republic level. Their diminished stature within the federal chain of command was reflected in their reduced control over cultural, political and economic issues.[122]

The administrative hierarchy was held together by the Communist Party of the Soviet Union. The party's ranks provided the cadre for the administrative, representative, educational and industrial positions within the state's bureaucratic structure. Party discipline was strict and the cadre structure was designed to limit the opposition to party directives within the party's own ranks. Despite the structural centralism of the CPSU, the centre was forced, probably to a higher degree than deemed acceptable by the central authorities, to rely upon local personnel, not only to run the republic, but to legitimise the centre's nominal monopoly over political power in the state as well.

The communist party formed the channels through which it was thought that policy decisions would flow from the central organs of political, economic and social decision-making down to the lower levels of the administrative strata in the country. However, the concentration of political power did not always rest strictly within the walls of the Kremlin, nor was discretion over policy formation and implementation fully left up to those in the regions or the local levels. Levels of decision making autonomy could be characterised by an ebb and flow, depending upon the demands on the leadership at the time. [123]

Two observable effects from the institutionalisation of ethnic identity within the Soviet Federal system should be mentioned. First, the institutionalisation of ethnic identity throughout the federal administrative structure formed perceptions on the part of the population that ethnicity and sovereignty were directly correlated, even to the extent where independence for a specific national group was a possibility within the Soviet constitutional framework. [124]

The second important ramification was more tangible. Each ethnically based administrative unit, the 15 Union as well as the autonomous republics possessed the structural blueprint for its own independent state. Therefore, in the context of heightened awareness on the part of the population of the power of ethnic identity sponsored by the administrative system itself,[125]

This system of geographical, political, economic and social borders was incorporated into a ***nationalised*** identity, that of the new Soviet citizen. This overarching identity superseded all others in practice and was supposed to bind Russians to Chechens, and Tatars to Buryats. The Soviet identity relied upon the rhetoric of ethnic solidarity under the banner of centralised political

[122] See Gorenburg p. 32
[123] Shireen T. Hunter, *Islam in Russia: The Politics of Identity and Security* (London: ME Sharpe, London 2004), p. 208
[124] ibid. p. 31
[125] ibid. p. 31

economic and social power and international communism in the struggle against the capitalist foe. In an attempt to create a new internationalist society, two contrasting, sometimes contradictory strategies were employed by the Bolsheviks to fortify their control over the inherited regions and legitimise their new regime. The first step was to bring diverse nationalities together through a process of sblizhenie: having different nationalities working together for the same political, economic, and social goals, for instance the building of state socialism. The second step was the combination or slijanie of the nationalities: "physically merging them into the wider socialist family". The idea never came to full fruition. The contradictory demands of the construction of a centralised state with the need to legitimise central control among a highly diversified ethnic population would later prove to be the country's greatest challenge, and according to some, its ultimate undoing.

Instrumentally, the ethnic delineation of the decision making hierarchy simplified and legitimised the decision-making process within the state's corresponding bureaucracies by allowing regionally based ethnic elites to compete on behalf of their constituencies for their political, economic and social preferences within the wider communist party run institutional structure. This process of emphasising the indigenous population in the state's organs was termed in Russian *korenizatsia*. The motivation behind the indigenisation strategy was the development of a sense of solidarity and equality among participating individuals and groups. [126]However, while increasing levels of loyalty to the CPSU and acting as an effective recruiting mechanism for the party, *korenizatsia* also had a downside for the groups that it tried to empower. It ostracised precisely those exact groups it aimed to empower by emphasising their differences along primordial lines.[127]

After the power struggles within the leadership of the CPSU were resolved following Lenin's death, the strategy of korenizatsia was abandoned. In what seems to be an attempt to curb the influence and autonomy of the indigenous populations within the decision making process, Stalin reversed the indigenisation process and instituted a programme of Russification. Newly formed alphabets were done away with. Russian became, once again, the primary language of instruction within the educational system with the purpose of becoming a *lingua franca* of the Soviet state. With Russification came the purges of the communist party's own ranks on the pretence of an increasingly powerful nationalist threat to the existence of the state. [128]

As part of Stalin's Russification drive to curb the increasing empowerment of the various ethnic and national groups in the country, Russians were sent out across the country to take part in massive economic and social development projects in the spheres of industry, education, and social science research. This civilising mission provided Russians with a sense of entitlement regarding whose country the Soviet Union was. It also drew a clear line between the civilised and those that needed to be educated in the benefits of the socialist system. [129] The Russians possessed a monopoly over political power in the institutional framework; their language dominated everyday communication. They also displayed the arrogance towards smaller ethnicities that is attributed to a dominant ethnic group, largely ignorant of the "host" population.[130] The encapsulation of primordial identities within a larger, national identity without ensuring the system's ability to provide a credible response to economic and social cleavages as well as the contradictions of inter-ethnic rivalry under the overarching Soviet identity would prove to be disastrous for the fortunes of the USSR. [131]

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[126] Shireen T. Hunter, *Islam in Russia: The Politics of Identity and Security* (London: ME Sharpe, London 2004), p. 209
[127] ibid. p. 209
[128] ibid. p. 210
[129] ibid. p. 130
[130] ibid. p. 131
[131] ibid. p. 3

Modelling the Role of Identity in Institutional Change

As hypothesised by Gorenberg,[132] times of institutional flux or crisis open the way for groups organised along ethnic or national lines to challenge for a higher degree of control over their political, social and economic preferences. This "process orientated institutionalist approach" supposes that the national or ethnic identity is galvanised into nationalism during times of institutional change brought about by war, political and economic instability, demographic change, or industrialisation. Change in the institutional structure therefore provides opportunities for excluded, marginalised or "inferior" groups to once again take part in the political process through what the author terms "openings in the political opportunity structure" developing from long term social-economic changes.[133]

National or ethnically based movements such as those observed in perestroika formed through a process identified as framing:

> Frames are defined as interpretive schemes that condense and simplify a person's experience by selectively highlighting and encoding certain situations, objects, events, and experiences. Frames serve either to underscore and embellish the seriousness and injustice of a social condition or redefine as unjust and immoral what was previously seen as unfortunate or perhaps tolerable.[134]

Framing not only puts the issue into perspective, but also is crucial in convincing the group that political action is effective in changing the situation for the better, and that participation at this particular moment is vital and ultimately will be successful.

The overall progression in which leaders instrumentally recognise and utilise latent grievances amongst defined sets of individuals is symbiotic. Activists convince the group that their woes are systemic in nature and not based on individual factors. They then identify possible concrete targets for the grievances of the group and propose a strategy to deal with the situation. Finally, the movement's leaders need to demonstrate that the political system is particularly vulnerable to challenge and therefore increasing the possibility of success for the adoption of the movement's demands. In this process of identifying the ills of the political system and then prescribing an alternative solution, existing social networks amongst the target group are crucial to the movement's organisation and ultimate success. That having been said, the conditions for the manifestation of nationalist protest are not always optimal. Therefore communication links between the group and the elite are also vital.

Signals from the elite to the group and back form a loop or "exchange mechanism"[135] through which the transfer of information including benefits for group actions can take place and provide important channels of communication. The success of nationalist movements may depend upon the density of these networks, the ability of elites to provide benefits to their followers. The extent of the network's success with the target population can be observed through the numbers at protest events and the support of nationalist candidates at election time. All of this is underpinned by a strong sense of belonging to the group formed by a concept of common identity.

[132] See Gorenburg p. 32
[133] ibid. p 7
[134] Tarrow 1994, 123 cited in Gorenburg, p. 11
[135] Gorenburg p. 15

Elite School: The Theories

So far, the topics of federalism and nationalism have been discussed in detail. This third section of the literature review concerns itself with elites. More specifically, it will discuss who elites are, how they formulate and compete for their interests and how this interest competition influences the state's institutional structure. In the proposed model, the elite act as the catalyst for regime consolidation through their competition over and institutionalisation of their core preferences. Before going into the mechanics of elite behaviour in Russia, a review of elite theory is in order. According to Anton Steen,[136] there are three schools that investigate the ability of the elite and the extent to which their actions affect the transition process in states. C.W. Mills has been credited with the establishment of the power elite school. The elite is seen as possessing highly integrated preferences in terms of political and economic interests, forming the core of the state's decision making apparatus, and being composed of very limited numbers.

The pluralist school modelled by Dahl challenges the level to which elites are integrated in terms of their preferences and the extent to which they are able to agree on some sort of consensus regarding how to run the state. Instead, it is the institutional framework that determines how elites behave and what their interests are. Elites exist at a multitude of levels within the state hierarchy and are too fractured to form an integrated, unified ruling class. Other researchers in the pluralist school have tried to rectify the differences between the power and pluralist paradigms. Higley sees that elites may be very integrated, but possess very different interests in terms of what their preferences are. These elites are termed "consensually integrated": they agree upon the methods by which they compete over their various and highly diversified preferences and interests.

Samuel Huntington takes Dahl's theory of institutions playing the dominant role in terms of elite behaviour a step further. Huntington proffers the concept that elites are just one of many factors that determine how regimes are consolidated. The other explanatory factors include economic growth, institutional composition, and the degree of ethnic diversity. The externalities, observed within society and the state, determine elite behaviour to a very large extent. Elites themselves have very little room to manoeuvre in pursuit of some sort of rationally based, preference driven, maximisation calculus.

The final school mentioned is that of social determinacy. Elite actions, according to the Marxist branch of the school, are embedded within the class and power structure that exists within a society. Other groups within this school do not base their paradigms on class and power relations. Instead, the paradigm is path-dependent, relying upon historical legacies along with cultural paths, which themselves determine elite behaviour. It is highly problematic to conclude which school has the most explanatory power when it comes to determining the role of elites play in regime transition and the degree to which their actions are based upon inherent preferences or induced by externalities. As we shall see throughout the thesis, many characteristics observed in the uncertainty period of Russia's transition can be ascribed to Russian elites. The challenge then is to determine a model which can explain the relation between elites and the ultimate nature of the state in the Russian Federation.

[136] Anton Steen, *Political Elites and the New Russia* (London: Routledge Curzon, 2003), pp 10-11

Who are Russia's Elites?

In his seminal work, *The Power Elite*[137], C W Mills describe America's ruling elite as groups of individuals with "superior character and energy".[138] These individuals owing to their special qualities occupied the upper strata of society and had access to the wealth and power that this societal position affords. They as a class are bound together through a similar psychological outlook, social background, and upbringing. Mills broke the elite down into groups; more precisely, the elite class was divided into three directorates based upon the source of their power: the economy, political-administrative, and the military. How these three groups in American society coexisted at the top can be best described as a very fluid, interlinked, symbiotic relationship.

Some groups over periods of time held sway over others, some elite groupings thanks to historical and external influences coalesced into an overlapping group with mutual interests and goals. Some externalities could develop from within the society itself. Elite groups were subject to pressure from sources in society that comprised the bulk of its population, the mass. Still for the most part, the elites and their power bases were the catalysts for political, economic and social change along with subsequent institutional evolution of the state's institutional structure itself. Russia's elite are no different. The elite possesses power bases within the military, the economy and the political sphere. As pointed out by James Hughes[139] Russian elites are periodically interlinked through their similar interests and, according to Alexander,[140] compete over inherent core values. For the purpose of this discussion, the term "elite" will refer to groups of individuals who are responsible for the political, economic and social decision making within a specific polity.

Early Studies: An Analysis

The first in-depth study of the Russian elite after the collapse of the Soviet Union was proposed by Krystanovskaya and White.[141] According to their analysis, the authors concluded that the Soviet Nomenklatura, previously being bound together by their membership in the Communist Party, split into three distinct groups after the USSR's dissolution in 1991: the security elite; those of the business elite; and elites possessing a political power base.

Although identifying several distinct groups within the new ruling class, the analysis had several weaknesses. Firstly, the elite groupings were mutually exclusive. The authors assumed that elite groups, owing to their relevant power bases, did not interact with one another and that they did not share any mutually held interests. Secondly, the elite groups are analysed at the federal level alone, thus leaving out any analysis of regional characteristics of the elite or their penetration into the deeper recesses of the political system. Thirdly, despite the several factions within the party structure that came to the surface during the last years of Gorbachev's rule and his attempts to reform the country, the Soviet Nomenklatura was presented as a monolith possessing the same core interests and policy preferences across the board.

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[137] C. Wright Mills, *The Power Elite* (New York: Oxford University Press, 1956)
[138] ibid. p. 13
[139] James Hughes, "Sub-National Elites and Post Communist Transformation in Russia: A Reply to Kryshtanovskaya and White", *Europe-Asia Studies*, Vol. 49, No.6 (1997), p.1017
[140] Gerard Alexander *The Sources of Democratic Consolidation* (Cornell University Press: Ithaca NY, 2002)
[141] Olga Kryshtanovskaya and Stephan White "From Soviet Nomenklatura to Russian Elite" , *Europe-Asia Studies*, Vol. 48, No.5 (1996), p.711

In his critique of the Kryshtanovskaya and White model, Hughes attempted to rectify some of the faults in the former paradigm. Hughes found that despite Kryshtanovskaya and White's reference to C W Mills pie metaphor for elite structures in society, they had not demonstrated the inter-linkages among the elite groupings. Hughes corrected for this error by analysing elites at the regional level and hypothesising that, indeed, the economic and political elites in Russia did share mutual interests and did interact when their interests overlapped. Still, the explanatory power of the model lacked robustness in portraying the realities of the complicated system binding the federal and local level elites together. The regional approach had neglected the reality that a federal political system imposes upon elite groupings: ***preferences linking federal and regionally based elite groupings must exist in order to maintain the stability enshrined in the federal arrangement.***

Path Dependency

More recently, Filippov and Shvetsova[142] developed a path-dependent model of elites in which elites at all levels of the political system, from the Federal level down through the regions to the local level were forced to fend for themselves and defend their interests with the collapse of the Communist Party. Elites, without the official party defining their general interests and maintaining their affiliations, had to base their political power upon the resources that were geographically proximate and which they had under their direct control or influence.

Regional elites based in the Federation's 89 constituent units, as heads of the regional administration or industrial enterprises, defended their new positions within the political structure against the federal elite in Moscow. What ensued was a bargaining game that, as the authors surmise, is responsible for the pacts and agreements that bind the federal constituent units to the federal government. The advantages of the path-dependency model are not just in its ability to address the federal and regional links among a splintered elite, but it pinpoints where power lies within the political infrastructure and highlights the actions which determine to a great extent how that structure is formed and modified to accommodate elite preferences.

Still, what is glaringly obvious in Filippov and Shvetsova's approach is its inability to demonstrate a mechanism through which the elite use their power bases in their competition to fulfil their core interests. To categorise resources under elite control does highlight the composition of specific elites' resources in their respective arsenals, and their ability to influence outcomes, but it does not specify how these resources are utilised and then converted into decision making power.

Orttung's Elite Model

Picking up where the path dependency model left off, Robert Orttung[143] published two influential articles, both in the East-West Institute's *Russian Regional Report*, identifying the exact mechanisms in which are manifested the independent factors this research aims to measure as having discernible effects on Regime Consolidation. Despite the enormous extent of decentralisation in Russian politics since 1991, symbolised most importantly by the election of

[142] Mikhail Filippov and Olga Shvetsova "Asymmetric Bilateral Bargaining in the Russian Federation: A path dependence explanation", *Communist and Post-Communist Studies*, Vol. 32, No. 1 March (1999), pp. 61-76

[143] Robert Orttung, "Centre-Periphery Relations: Kremlin has Many Tools to Keep Even Elected Governors in Check", *EWI Russian Regional Report*, Vol. 5 No. 8 01 03 (2000) and "Centre-Periphery Relations: Resourceful Governors Able to Counter Kremlin", *EWI Russian Regional Report*, Vol. 5 No. 10 15. 03 (2000)

governors by local constituents rather than direct appointment by the president, the governors' relationship with Moscow remains extremely important.[144] In the first article, Orttung identified ten tools with which the Kremlin was able to counteract, or influence control over, the regional governors. The mechanisms outlined are as follows:

Federal budgetary largesse: under Yeltsin buying-off opponents, under Putin rewarding allies;
Regional differentiation: cleavages and disproportionality of the regions in many factors, such as economic production or proximity to Moscow, all add up to a divide-and-rule political weapon for Moscow;
Kremlin support for regional gubernatorial campaigns: ability to support or undercut a specific candidate's political aspirations;145
Distribution of federal funds: the granting of export-import privileges along with tax loopholes to aid business development in certain regions;
Natural state-owned monopolies: possess the ability to control access to and levy tariffs on resources such as transport of goods and electricity;
Presidential representative in federal districts: active representatives to the President of the Federation, acting as the eyes and ears of his administration in the regions;
Bilateral agreements: signed with 46 regions, included political and economic "strong incentives" to stay within the federal structure;
Federal removal of regional executives: the removal of any regional executive found to be in violation of Russian Criminal and Constitutional Law; and
Limits of governors' terms in office: no more than two 5-year terms in a row are to be served by an individual.[146]

In the second part of the article, Orttung illustrates just what mechanisms the governors have at their disposal to counterbalance the political and economic might of the Kremlin. Far from being superficial, as a consequence of the Soviet political legacy and the nature of the Bilateral Agreements, the strongman nature of Russian regional politics along with the economic "sink or swim" mentality in the regions after the 1998 crash, governors' ability to counteract the centre's prerogatives was and still is quite formidable. Orttung reveals five instruments at the governors' disposal:

Extensive control over the local economy and resources: many governors have very good connections with regional businesses;
Control of institutional resources translates into political power: utilising their regional power base, governors have the ability to influence political campaigns at all levels of the political hierarchy, sometimes ensuring re-election for themselves and a cadre of representatives at all levels of government competing in the region's interest;
Circumvention of federal bureaucracies in the regions: governors may be delinquent in their supply, delivery and cooperation with federal representatives on their turf;
Use of soft budgetary constraints: barter, loans, and creative accounting all can be used to disguise how the regional treasury is being utilised or manipulated; and
Regional filibuster: using political clout to block the passage of federally initiated directives or policies.

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[144] Robert Orttung, "Centre-Periphery Relations: Kremlin has Many Tools to Keep Even Elected Governors in Check", *EWI Russian Regional Report*, Vol. 5 No. 8 01 03 (2000).
[145] The election of regional governors since writing has been changed. Regional governors are now subject to direct presidential control. The President of the Russian Federation may appoint and dismiss governors at his discretion.
[146] This rule has also been affected by the elimination of gubernatorial elections in favour of presidential appointment. Governor's terms under the Putin regime are not set by term limits, but again by presidential fiat.

By identifying the mechanisms at the disposal of elites in their competition over economic and political resources, Orttung has identified the causal links that tie elite preferences to observable outcomes determined by inter-elite competition in the Russian Federation. Just how those games can be modelled and how these games affect the institutional structure of the Russian state follows.

Changes in Elite Structure in Russia

However, the clear geographic, path-dependent delineation of elite groupings envisioned by the authors discussed here may be mutating. The dichotomous division among regional and federal elites that forms the basis for the bulk of the analysis is under pressure from Federal oligarchs who see opportunities to expand their influence and power by purchasing regional businesses and thereby establishing new opportunities to expand their political power throughout the country at lower levels in the market structure. Both Orttung[147] and, most recently, Kryshtanovskaya[148] along with Yakovlev and Zhurevskaya[149] point out that all elites in the Russian polity have both the economic resources and political influence to differing degrees. According to Orttung, elite power bases allow them the economic mobility to cross the regional – federal boundary in terms of accumulating assets and expanding their economic and political power bases.

Kryshtanovskaya recently described the complex scheme of circulating mobility among Russian elite and found that, indeed, their power bases, following the collapse of the Soviet state in 1991, were drawn from different sources owing to previous attempts by Gorbachev and Yeltsin to recast the nomenklatura system. In order to provide the reformed state with the "right" sort of elites to oversee consolidation of the new regime, former elite members, loyal to the previous regime under both administrations, were forced to resign from the government in increasing numbers. The plan to replace the outgoing elite with new decision makers more closely in tune with the goals of the new administrations was complicated by a lack of cohesiveness in the reconstruction process. Many individuals were unceremoniously removed from the higher levels of power and lost their corresponding societal privileges. This process of excommunication led to ever increasing numbers of disgruntled "has-beens" outside the political structure.

Compounded by the near-total institutional collapse of the Soviet system, rogue elites sought to defend their interests no longer guided by the state-sponsored norms of behaviour, but by the rules of a Hobbesian state of nature. Clans of interests formed around economic and political power bases that sought to extract as much benefit from the weak state as possible, making the consolidation of any regime type very problematic. Only with the advent of the Putin administration and its drive to create a consensus-based cadre of decision-makers was some degree of stability within the membership of the elite class achieved. Under this new-found stability, according to Yakovlev and Zhurevskaya, federal elites use their newly found regional influence to capture important bureaucratic and administrative resources in order to advance their own interests, whatever they might be. This cross-over effect serves to muddy the waters in terms of analysing exactly from where elites draw their resources and political support and demonstrates that, over time, elite behaviour changes to suit their changing economic and political preferences.

[147] Robert Orttung, "Business and Politics in the Russian Regions", *Problems of Post Communism*, Vol. 51 no.2 March / April (2004), pp.48-60

[148] Olga Kryshtanovskaya, "Has-Beens: Trends of Downward Mobility of Russian Elite", *Russian Social Science Review*, Vol. 46, No. 2 March / April (2005), pp. 4-51

[149] Evgenii Yakovlev and Ekaterina Zhuravskaya, "State Capture and Identity of Firm Owners" (2005); as published at <http://www.cefir.ru/ezhuravskaya/research/YakovlevZhuravskaya_2005.pdf> accessed on 04.10.2007

Elites and Economic Preferences: A Critique

All the elite models discussed in the previous section rely upon a direct link between elite behaviour and an intimate knowledge of their core preferences. It is this deep knowledge, based on possessing full information, upon which the elite rationally devise a strategy to support their political and economic interests. Recently, Herrera[150] questioned the direct link between interests and action by concentrating on how individual actors perceive their economic resources and the future possibilities for exploiting economic power and translating it into political capital. There are lingering questions as to why certain units sought out more autonomy from the federal centre in Moscow than others. Explaining the observed variation in terms of degree of sovereignty demanded and economic wealth of the regions is the focus of Herrera's text. By quantitatively testing the rational choice logic behind elite preferences in terms of increased autonomy from the federal centre and economic endowments in the regions, Herrera demonstrates the correlation to be spurious. The direct causal link between economic preferences and institutional leeway is not as firmly established as some would claim.

By delving into literature on political economy and how actors' behaviour is determined not only by an economically derived calculus or full awareness regarding actors' preferences, I will construct a robust political economic framework that highlights the inability of actors in an institutionally unsure environment to make fully rational assessments based upon available information. As a result, actors construct their own ideas of what economic resources they have and how they can be translated into more political manoeuvrability based upon previous actions, national loyalties, perceived advantages and future dividends. This imagined economy then forms the basis for their positions vis-à-vis regional autonomy within the federal arrangement.

The Consolidation of Regimes

Many scholars have turned to the study of how regimes, in most cases democracies, consolidate themselves and remain politically stable (Linz and Stepan[151], Schedler[152], Bunce[153], Keman[154], O' Donnell,[155] Przeworski et al.,[156] Mousseau,[157] Zielonka,[158] Pridham et al.,[159] and S. Mainwaring,

[150] Yoshiko M. Herrera, *Imagined Economies: The Sources of Russian Regionalism* (Cambridge: Cambridge University Press, 2005)
[151] Juan J. Linz and Alfred Stepan , "Toward Consolidated Democracies", *Journal of Democracy*, Vol. 7, No. 2 (1996), pp.14-33 and
Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe (London: The Johns Hopkins University Press, 1996)
[152] Andreas Schedler, "Measuring Democratic Consolidation", *Studies in Comparative International Development*, Vol. 36, No. 1(2001), pp. 66-93
[153] Valerie Bunce, "Rethinking Recent Democratisation: Lessons from the Post-communist Experience", *World Politics*, Vol. 55, No. 2 (2003), pp. 167-192
[154] Hans Keman, "Political stability in Divided Societies: A Rational-Institutional Explanation", *Australian Journal of Political Science*, Vol. 34, No. 2 (1999), pp. 249-269
[155] Guillermo O'Donnell, "Illusions about Consolidation", *Journal of Democracy*, Vol. 7, No. 2 (1996), pp. 34-51
[156] Adam Przeworski, Michael Alvarez, José Antonio Cheibub and Fernando Limongi, "What Makes Democracies Endure?", *Journal of Democracy*, Vol. 7, No. 1(1996), pp. 39-55
[157] Michael Mousseau, "Market Prosperity, Democratic Consolidation, and Democratic Peace", *The Journal of Conflict Resolution* Vol. 44, No. 4 (2000), pp. 472-508
[158] Jan Zielonka, *Democratic Consolidation in Eastern Europe: Volume I* (Oxford. Oxford University Press, 2001)

O'Donnell and Valenzuela[160]). Following Linz and Stepan, a definition of consolidation relies upon the inclusive behaviour of elites, an attitudinal component of mistrust of long serving representatives in government, and the establishment of a viable and working conflict resolution mechanism in the form of a constitutional agreement. If these components are visible in a transitional state, then it can be concluded that the state has indeed consolidated its democratic institutions and it can be expected that the regime will survive.

What is interesting is that the literature reviewed, with few exceptions, treats all states as unitary actors in the transition and consolidation process. Nowhere is there a serious attempt to examine the effect that the inclusion of sub-national units into the consolidation equation would have on how investigators perceive consolidations taking place. The consolidation game is that of two players (Schedler[161] and Przeworski[162]), conservatives and reformers, and their competition for the establishment of their preferred regime type. For historians, such as Yanov,[163] regime change in Russia is conceptualised through the use of a cyclical model. The Russian state's history has passed through several repeated cycles of authoritarian regime, regime reform and regime breakdown. The cataclysms that bring about reform also lead to regime collapse and a subsequent authoritarian backlash. The model is a close deterministic approach that leaves no room for concepts such as agency on the part of relevant actors and the indeterminate outcomes of the games that influence the regime evolution process. In Yanov's paradigm, Russia's regime can never be consolidated; it exists in a world of perpetual preordained outcomes.

Other treatments in the literature concerning Russia have been based upon a procedural approach to regime change in the country. Some examine the fractionalisation of political institutions (Bunce[164]), the imbalance of constitutional arrangements (Zielonka[165]), Russia as a successor state grouped with the other former Soviet Republics (Linz and Stepan[166]). Still others adapt quantitative measures to the research; such as Vanhanen's[167] index or Polity IV[168] both of which have specific biases and measurement difficulties in measuring the predictability of survival of Russia's regime type (Marsh[169] and Foweraker and Krzanic[170]).

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[159] Geoffry Pridham and Paul G. Lewis (eds.), *Stabilising Fragile Democracies: Comparing New party Systems in Southern and Eastern Europe* (London: Routledge, 1996)
[160] Scott Mainwaring, Guillermo O'Donnell, and J. Samuel Valenzuela, (eds), *Issues in Democratic Consolidation: The New South American Democracies in Comparative Perspective* (ND Indiana: University of Notre Dame Press, 1992)
[161] Andreas Schedler, "Measuring Democratic Consolidation", *Studies in Comparative International Development*, Vol. 36, No. 1(2001), pp. 66-93
[162] Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991)
[163] Alexander Yanov and Iden J. Rosenthal, *The Russian Challenge and the Year 2000*. (Oxford: Basel Blackwell, 1987)
[164] Valerie Bunce, "Rethinking Recent Democratisation: Lessons from the Post-communist Experience", *World Politics*, Vol. 55, No. 2 (2003), pp. 167-192
[165] Jan Zielonka, *Democratic Consolidation in Eastern Europe: Volume I* (Oxford. Oxford University Press, 2001)
[166] Juan J. Linz and Alfred Stepan , *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe* (London: The Johns Hopkins University Press, 1996)
[167] Tatu Vanhanen, *Prospects of Democracy: A Study of 172 Countries* (London: Rutledge, 1997)
[168] The Polity IV data set was created to quantify the transition process. For more information on the Polity IV project and data set, see <http://www.cidcm.umd.edu/inscr/polity/rus2.htm> and <http://www.cidcm.umd.edu/inscr/polity/Rus1.htm>; accessed on 04.10.2007
[169] Christopher Marsh, "Prospects of Russian Democracy: A Cross Regional Application of Vanhanen's Resource Distribution Theory of Democratisation", in D. Berg Schlosser and Raivo Vetik (eds.), *Perspectives on Democratic Consolidation in Central and Eastern Europe* (New York: Columbia University Press, 2001)
[170] Joe Foweraker and Roma Krznaric "Measuring Liberal Democratic Performance: an Empirical Conceptual Critique", *Political Studies*, Vol. 48, No. 4 (2000), pp. 759-787

Consolidation: Isn't it about time?

The problems with the methodologies and models adopted above in regard to obtaining any sort of explanatory power in terms of Russia's transition are not just related to the determinacy of the models or their utilisation of unitary state paradigms to explain the transition of a federal state. More importantly, ignoring the political, economic and social influences that are at play in a federal state also overlooks the importance of time in the overall maintenance and evolution of state institutional structures to suit the changing needs and preferences of citizens in the polity. It will be argued below that time is a crucial factor in the maintenance of stability, and that influences the longevity of any institutional arrangement. By making the assumption that transition and regime consolidation is a one-time bargain, it follows that, once the bargain is struck, it is written in stone. By utilising this approach, authors have ignored the fluctuating realities of human political behaviour.

As political actors, our preferences and needs change according to our own inherent judgment along with our reactions to externalities that affect our political and social environment. Therefore, it is not beyond logic that institutions must also adapt to the changing preferences and demands of those governed by that institutional arrangement. In order for institutions to adapt, a continuing process of negotiation, bargaining and competition over rival preferences and interests must take place amongst relevant political actors. How these preferences are translated into institutional structures affects the nature of regime type. That link having been established, several caveats are in order:

Path Dependency:[171] In periods of institutional uncertainty that characterise the previous step to a specific regime being consolidated,[172] elites control the bargaining process that determines regime type, thanks to their direct access to political, economic and social resources;

Cost-Benefit Maximisation Strategy: Following a bottom line calculus, a regime type develops out of the desire of competing elite groups to maximise the benefits and minimise the costs in defence of the elite's particular maximised formulation of political power and economic wealth;[173]

Unclear Regime Outcome: Due to the lack of full information along with the inability to predict unforeseen affects that may develop as a result of the bargaining process over a new regime type, elites are not limited to a predetermined set of formats by which they determine their bargaining strategy; and

Indeterminate Future: Regime type is based upon a preference-based equilibrium; assuming that preferences change, institutional arrangements must adapt to changing interests, therefore over time, established institutional arrangements – regimes will continue to evolve in correlation with competition over new preferences in order to avoid actor defections.[174]

The Missing Causal Link

[171] Mikhail Filippov and Olga Shvetsova, "Asymmetric Bilateral Bargaining in the Russian Federation: A path dependence explanation", *Communist and Post-Communist Studies*, Vol. 32 No. 1 (1999), pp. 61-76 March
[172] Vladimir Gel'man, "Second Europe Asia Lecture: Regime Transition, Uncertainty, and the Prospects for Democratisation: The Politics of Russia's Regions in a Comparative Perspective" , *Europe-Asia Studies*, Vol. 51, No. 6 (1999), pp. 939-956
[173] Gerard Alexander, *The Sources of Democratic Consolidation* (Ithaca NY: Cornell University Press, 2002)
[174] Mikhail Filippov, Peter .C. Ordeshook and Olga Shvetsova *Designing Federalism: A Theory of Self –Sustainable Federal Institutions* (Cambridge University Press: Cambridge 2004)

The bulk of material that has addressed the topic of Russia's transition to a new regime type has focused, to the detriment of the quality of research, on models that attempt to qualify regime type into two broad categories: authoritarian or democratic. Not only has this approach espoused a deterministic and almost fatalist modality for regime types, but it has failed to fully recognise the link between the nature of elite preferences during the regime consolidation negotiation process and the knock-on effects these preferences have for institutional structures in polities undergoing a period of political, economic, and social flux.

The proposed causal link, then, is composed of four component parts. Elite core preferences are transformed into a regime type. That regime type in turn is characterised by a specific institutional framework hammered out by elites in a period of institutional uncertainty. The third level of the institutional framework is composed of mechanisms that legitimise the political system in society's eyes. It is important to note that the institutional framework is not static. In fact, institutions should and do evolve over time to correspond with the changing political environment. Why? First, the intended outcomes of institutional constructs cannot be predicted over the long term; second, institutions are also influenced from below by society and elite preferences from above, thus resulting in a diverse set of institutional outcomes; and third the elite do not always intend for institutional constructs to serve the interests of the mass. The elite's primary concern is to preserve their own political power and economic wealth. Whatever the mass receives in terms of benefits from the institutional structure can be perceived as derivatives that may more or less suit the elite's original preference maximisation strategy at a given time. Therefore, elite preferences occupy a central position in the institutional structure. What maintains the sustainability of the institutional structure following the regime's consolidation is the level of consensus among the state's competing elite groups.

Elites: Models of Action and Regime Transition

Vladimir Gel'man[175] and Gerard Alexander[176] have both made attempts to create a model that can demonstrate the process by which elites identify their interests, consolidate their power base, compete with other elites to forward their own interests and what this competition will mean for the nature of the political system's ultimate character. Continuing the process of analysing regional elites and their effect on the nature of the Russian transition, Gel'man focused upon the interplay of elites at both the federal and regional levels in the country. Sticking to Dahl's definitions of procedural and substantive components of democracy, Gel'man proposed an open-ended model for transition based upon the interplay of regional and federal elites. Gel'man's five-stage model avoids the evolutionist trap of a closed, determinist paradigm of democratic transition by incorporating several steps at which the outcome of the process of regime transition is completely undetermined.

The model begins with the decline of the regime, moves on to the breakdown of the regime, after which a prolonged period of uncertainty takes place. If negotiations proceed successfully between relevant political elites, the process precipitates an outcome: a new regime. The final stage occurs when the new regime is institutionalised. The period of uncertainty is based upon the competition between elites and the masses and the extent to which each of these groups exerts its power in the

[175] Vladimir Gel'man, "Second Europe Asia Lecture: Regime Transition, Uncertainty, and the Prospects for Democratisation: The Politics of Russia's Regions in a Comparative Perspective" , *Europe-Asia Studies*, Vol. 51, No. 6 (1999), pp. 939-956

[176] Gerard Alexander, *The Sources of Democratic Consolidation* (Ithaca NY: Cornell University Press, 2002)

competitive process. Uncertainty is an institution free environment[177] and actors seek to maximise their power any way they see fit. What outcome is achieved through this competitive stage is determined by the number of actors in competition, their strength vis-à-vis each other and the strategies utilised by relevant actors. [178]

[177] Vladimir Gel'man, "Second Europe Asia Lecture: Regime Transition, Uncertainty, and the Prospects for Democratisation: The Politics of Russia's Regions in a Comparative Perspective" , *Europe-Asia Studies*, Vol. 51, No. 6 (1999), pp. 939-956

[178] ibid.

Position of actors/ Strategy of Actors	Compromise	Force
Dominant Actor	Elite Settlement	Winner takes all
Uncertainty or balance of actors	Struggle over the Rules	War against all

Figure 4 Gel'man's Uncertainty Outcomes

Gel'man's model provides the arena in which fluid elite competition takes place. Exactly how the actors determine what their political interests are and how they compete for them is addressed by the next model of elite competition.

Inter-elite Bargaining and Regime Consolidation: The Final Piece of the Puzzle?

A methodological approach to characterise the interplay that takes place during the uncertainty phase is addressed by the work of Gerard Alexander. [179] The model designed by Alexander was initially created to explain post-World War II democratic consolidation in Europe. Alexander used a soft rational choice approach in which democratic consolidation or non-consolidation depended upon the conservative right elites' perception of the behaviour of their opponents on the left of the political spectrum and whether or not the right's core values would be protected in the long term by consolidating a democratic regime with their leftist rivals. Alexander's democratic consolidation paradigm is embedded in a more general construct in which two groups of elites located along a left – right preference distribution axis are competing for their political interests. These interests are not egotistically based; therefore the paradigm assumes a soft rational choice approach. Each group seeks to maximise its position in relation to its particular induced regime interests, which are determined by the group's core values. An explicit regime type is consolidated between the elites if and when a particular Nash equilibrium is attained and both elite groups are satisfied with the achieved arrangement: interests are maximised and core values are ensured in the long term following the determination of the of a case-specific equilibrium point.

Alexander's Model and the Russian Federal Negotiation Process

Like the process that guides regime consolidation, Alexander's model is applicable to the choice of federal agreement that outlines a region's level of autonomy within a federal system. Several important similar mechanisms and assumptions underpin the logic of the model for the case of centre – periphery relations in the Russian Federation:

Russian political elites are divided into two distinct identifiable groups: federal and regional;

Russian federal elites, possessing specific core values defined as preservation of wealth and political power,[180] are perceived as striving to maintain power and control over the whole country;

[179] Gerard Alexander, *The Sources of Democratic Consolidation* (Ithaca NY: Cornell University Press, 2002)
[180] Peter Reddaway and Robert Orttung (eds.), *The Dynamics of Russian Politics: Putin's Reforms of Federal-Regional Relations* (Rowman and Littlefield, 2003), pp. 12-13

to that end they retain the monopoly over the ability to use coercion to assert their ultimate preference;

Regional elites in the Autonomous Republics seek to maintain their hold over the local power structure and maintain as much autonomy from the federal elites in Moscow as possible; and

These competing interests form the extreme poles of the centre – periphery preference axis for the federal negotiation process. The variation in elites' preferred federal power-sharing arrangements develops out of the desire to maximise the benefits and minimise the costs in defence of one's core preferences. When a particular Nash equilibrium between these two poles is struck, the level of unit autonomy, federal precedence, Regional precedence or Opt in / Opt out is consolidated.

Summing up the Model: Characterising Uncertainty

So far we have seen that elite groups in Russia have competed for their interests during a specific time period defined as uncertainty in the Gel'man formulation. We have been able to model that competition on the basis of a path-dependent, rationally based preference maximisation game suggested by Alexander. The case-specific characteristics of this bargaining game are the subject of this next section. Anton Steen's recent contribution to the field[181] may go a long way in describing in some detail what motivated the Russian elite during the period of uncertainty observed in Russia's transition. Citing the multifaceted nature of the reform process, Steen paints a picture of fluid coalitions among a very diverse set of elite groupings organised not only along a vertical axis, a top-down elite hierarchy, but along a horizontal axis composed of regional and ethnically based elite groups as well.

What makes the situation very novel for Steen is that fact that there are no real identifiable dividing lines along which elite groups along either the horizontal or the vertical can identify themselves. This makes sense in terms of the already highlighted idea that Russian political and economic interests are highly linked and concentrated. What binds the elite in Russia together is not an overt loyalty to legal procedures or institutions, but in fact highly personalised set of orientations, predominantly manifested in loyalty to executive power. [182]

Elites then possess a common sense of duty which governs their actions during uncertainty. The line that the elites must not cross is that of presidential privilege. This rather unsophisticated boundary allows the elite members to compete against each other in a "war against all" format described by Gel'man. The ability to seek rent for support for the reform programme is great, and the resulting policy outcomes may be perceived as incongruous in terms of the overall goals of transition. The important point that Steen makes is that different elite groups may agree upon what their shared core interests are. Where they may not concur is in the area of the methods by which their goals are to be achieved. In the institution-free environment of uncertainty, this lack of consensus leads to instability and may hamper efforts to reach an overall equilibrium as far as the espoused regime type is concerned. Continued lack of a higher degree of consensus may lead to the ultimate disintegration of the polity.

The degree to which the level of consensus can be observed may be obtained through examining what the elite are bargaining over. Going back to Alexander's work, elites create regime types that

[181] Anton Steen, *Political Elites and the New Russia* (London: Routledge Curzon, 2003)
[182] ibid. p 6

will fulfil their maximised cost-benefit ratio. Preferences are then translated into regime preferences, such as stable and transparent economic structures, political legitimacy, and continuity as well as longevity, ethnic and national accord, along with legal and constitutional congruence between the federal centre and constituent units. Once these regime preferences have been settled, an institutional framework is developed mirroring the preferences espoused by the elite. The more that the debate and competition surrounds the fundamental tenets of how a state is to be organised, Level I institutions – core preferences, the more likely there is less consensus amongst elites, and there is less stability within the system. On the other hand if elites are bargaining over Level II or Level III institutions, the more likely that they are haggling over induced regime preferences that are not a threat sufficient to undermine the regime's long-term stability.

This process is by no means a smooth one. The above discussion has demonstrated the existence of a fractured, yet highly concentrated elite that did not agree upon the methods by which a new state would be formed, if at all. Measuring instability and the outcomes of inter-elite bargaining may shed some more light on the structural viability of Russia's institutions and the ultimate nature of Russia's state. In the following three chapters, case studies will provide empirical evidence with which the above model will be tested for its ability to explain the observed asymmetry in centre – regional relations within the Russian federal framework.

The Debate over the Soviet Federal Political System

The status of the Soviet Union's federal system is open to debate. Some authors found what they saw as arbitrary political and economic delineation far from the ideal form of federal state structure. As Smith states the USSR's federal system was not genuine owing to the fact that each level of government was not independent in its own policy formation vis-à-vis Moscow. [183]

There are many other opinions concerning the federal nature of the USSR. Besides concentrating on how political decision-making power is wielded, other researchers have focused upon the issues of ethnicity, economics, culture and ideology. However, focusing on one specific factor does not shed light upon the whole complex of influences that contributed to the institutional arrangement developed in the Soviet state. As Filippov et al. indicate, the Soviet Union was not held together by coercive forces alone. In fact aspects of bargaining among the constituent units and Moscow were observable and comparable to western federal systems. [184]

Finding that most analyses of Soviet federalism were incomplete in terms of identifying the necessary and sufficient conditions to establish a theoretical explanation for the Soviet federal arrangement's collapse, Filippov et al. proffer their own bargaining-centred conceptualisation for the collapse of the Soviet Federal system. The authors point out several crucial factors related to ideology and approaches to federalism that coloured the Soviet leadership's behaviour during the final decade of the state's existence. First, according to Marxist theory, federalism was a not a solution for the class-based divisions that separated society and led to state power. Still, faced with a huge country composed of scores of ethnic groups during a time of social, economic and political upheaval, federalism based upon geographical concessions to ethnic groups was a temporary fix for the nationalities issue in the country.

[183] Gordon B. Smith *Soviet Politics:Continuity and Contradiction* (St. Martin's Press, 1988), p. 92
[184] Mikhail Filippov, Peter .C. Ordeshook and Olga Shvetsova *Designing Federalism: A Theory of Self –Sustainable Federal Institutions* (Cambridge University Press: Cambridge 2004), p. 88

Despite the utilisation of what were seen as short-term concessions to the ethnic groups by the early Soviet leaders, this ad hoc policy would characterise the nature of federal relations for the rest of the Soviet Union's life-span and would manifest itself much more predominantly during Yeltsin's two terms as the president of the Russian Federation. The overarching reasoning behind this extemporised decision-making in centre– regional relations was derived from the utopian concept of federalism of the "coming together" type. The rationale behind the naivety was that economic benefits gained from remaining within the Soviet and later Russian federal system outweighed the advantages of being independent from Moscow.

By voluntarily joining the Union, it was assumed that the Union Republics such as Estonia, Georgia and Ukraine would never defect or seek rent from Moscow because it was not in their interests to do so. In the Soviet and Russian cases, institutional uncertainty encouraged rent-seeking behaviour among regional elites. When the open-ended redistributive processes were unleashed, the centre had no fixed institutional solution to stem the growing tide of maximisation behaviour on the part of first the Union Republics and then the constituent units themselves in the Russian Federation. What occurred under Gorbachev – the transition of political power from the Communist party to the State – only exacerbated the problems of institutional weakness and redesign in the face of a crumbling federal arrangement.

An example illustrated by Filippov et al. brings the situation to life. The USSR's territorial make-up was based upon ethnicity. The 15 most dominant ethnic groups in particular territories composed the population of 15 Union Republics. Several of the Union Republics were composed of Autonomous Republics that were also ethnically based. For instance in the Soviet Republic of Georgia, both Abkhazia and South Ossetia were granted levels of autonomy according to their status as ethnic groups outside the dominant Georgian ethnicity. Russia also contained several ethnically based Autonomous Republics. With the exception of Sakha, these constituent units do not possess a clear majority of the nominal ethnic groups within their borders. Units such as Karelia, Chechnya, Tatarstan and Bashkortostan are examples of units that were given a degree of autonomy based upon their ethnographic make up. Their constitutional status and representation at the higher levels of power within the USSR, however, differed with the status that was accorded to them. Union Republics were treated as sovereign units within the USSR.

At the same time Autonomous Republics were within the Union Republics, and one would venture, subject to Union Republican control. As Filippov et al. point out, the logical hierarchy of representation did not exist within the practical confines of Soviet political power. In fact, in the highest representative body in the Soviet government, the Communist Party Central Committee, each Union, Autonomous and non-ethnic Oblasts, was represented by its economic and political elite. The result of such a representative arrangement resulted in more or less de facto equal status for economic and political interests of all constituent units, including the federal centre. [185]

[185] ibid. p. 93. Other authors disagree with this assessment. Rigby sees that the Central Committee went through several stages of institutional development, depending on the political conditions in the country and the leadership at the time. The Committee's status fluctuated from being a parliamentary body which debated issues passed to it by the Politburo after Lenin's death, to a rubberstamp used to legitimise Stalin's centralised party bureaucracy. Under Khrushev, the body regained some of its authority over policy formation, but remained a tool to bolster his own grip over decision-making within the bureaucratic structures of the Communist Party. Despite the changing character of the Central Committee, it was an institution in which informal discussions on policies did take place behind the scenes, especially in the committee's related standing groups. However, the Central Committees main purpose was more formal than actual in terms of political decision-making. See T.H. Rigby, *Political Elites in the USSR: Central Leaders and Local Cadres from Lenin to Gorbachev* (Aldershot: Edward Elgar, 1990).

It would seem that due to its institutionalised idealism the system of representation within the Central Committee would ultimately lead to an unruly system of bargaining between units that were politically equal, yet ethnically, economically and socially varied. Yet, the Kremlin was able to maintain control over the units through personalising the power structure. By relying on the loyalty of the Soviet system's nomenklatura[186],

The Kremlin was able to decide economic policy through the acquiescence of Union Republic elites, especially when it concerned the exploitation of natural resources found within the territory of the Autonomous Republics as well as the oblasts. Moscow also exploited its ability to control the Soviet elite through channels of professional political advancement. Elites were chosen for and removed from Moscow, according to their ability to walk the regional–federal policy tightrope. This personalisation of political power is highly evident during the purging of the political elite under Gorbachev. Gorbachev, in his search for a workable state-based mechanism to replace the Communist Party's monopoly of power over the decision-making process during the perestroika period, replaced older members of the political elite hoping to build a new power base for his reform programme.[187]

Instead of creating the new power base for his policies, Gorbachev's opening up of the system to elections forced the newly appointed elites in Moscow to develop their authority and power bases back in their own constituencies rather than in the Kremlin. The populist pressure on the part of regional elites to demand more from the centre in return for more power back in the regions, ironically, only served to rob the federal institutional arrangement of structural viability and political legitimacy. The result was the full transfer of political power away from the Communist Party to newly created branches of state power both at the federal and, as was demonstrated in three case studies, in the regions, too. The presidency of the USSR was created in order to streamline decision-making in the Federation in the hope of stemming the tide of growing political and economic chaos in the country. As Filippov et al. point out, the increasing dependence upon personal decision-making in the wake of weak federal institutions and their inability to deal with populist politics, including ethnic tensions, led to the collapse of the tenuous institutional equilibrium within the Federal system .[188]

In the end, what the idealistic musings of the Soviet leadership wrought in terms of an institutional equilibrium for both the USSR and the Russian Federation was highly unsatisfactory in terms of facilitating the consolidation of a "brining together" federal system. By allowing redistribution to take place in an un-institutionalised setting, the federal centre in both cases was forced to fulfil the demands of the units without any concern for the institutional equilibrium and general stability of the federal state. Global renegotiation[189] allowed constituent units to undermine the partial, but existing constitutional super-game, hold the institutions, as well as the future stability of the whole state, for ransom while allowing for the redistributive games to be repeated infinitely to suit their short-term maximised preferences.

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[186] The term *nomenklatura* refers to a system of personnel recruitment for ministerial and bureaucratic posts, established by the Communist Party of the USSR. The closed system of recruitment ensured loyal and qualified individuals would be appointed to positions that corresponded with the candidate's professional skills and level of political commitment. For more, see Ronald J. Hill and Peter Frank, *The Soviet Communist Party* 2nd ed. (London: George, Allen and Unwin, 1983)

[187] Olga Kryshtanovskaya, "Has-Beens: Trends of Downward Mobility of Russian Elite", *Russian Social Science Review* Vol. 46, No. 2 March / April (2005), pp. 4-51

[188] Mikhail Filippov, Peter .C. Ordeshook and Olga Shvetsova *Designing Federalism: A Theory of Self –Sustainable Federal Institutions* (Cambridge University Press: Cambridge 2004), p. 96

[189] ibid., p 92

The Soviet State's Federal Legacy

In their article Filippov and Shvetsova[190] identify several latent economic and political factors which delineate the borders of responsibility and action that elites utilised in the federal negotiating process that took place shortly before the fall of the Soviet Union and continued well into the first decade of the newly formed Russian Federation. The first major source of federal responsibility was created by economic factors built into the Soviet Union's adoption of Marxist economic theories employed to maximise industrial and agricultural production to combat the problem of shortages within the national economy. Regions differed in the type and amount of natural endowments they possessed, their geographic position and the climactic conditions experienced throughout the year. In order to redress the natural disparity, Soviet planners strategically located industries within the regions.[191] These company towns[192] were then used as mechanisms to generate funds to redistribute in order to support economic and social development first at the federal, then at regional level. Dormant structural political factors also played a role in moulding the federal nature of the Soviet political system. The constituent units that made up the Soviet Union, such as union republics and autonomous republics within some union republics each possessed differing degrees of not only economic but also political resources within the hierarchy of political units. Despite being considered units within union republics, autonomous republics were equally represented at the higher echelons of power and were *de facto* if not *de jure* of equal status to the union republics. Institutionally they were represented at the highest levels of federal decision-making. Additionally, the Autonomous Republics' economic interests were represented at the federal level, despite their local proximity. [193]

This intertwined patchwork of political and economic interests was held together not by institutional arrangements, but by the Communist Party itself. The party was the conduit through which members at any level of the federation could lobby their regions' interests all the way to the Central Committee in Moscow. The informal nature and differentiation of the institutional channels that conveyed political power and economic control throughout the system would only serve to exacerbate the problems faced later on by the framers of the new federal arrangement under Yeltsin. [194]

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[190] Mikhail Filippov and Olga Shvetsova "Asymmetric Bilateral Bargaining in the Russian Federation: A path dependence explanation", *Communist and Post-Communist Studies* Vol. 32, No. 1 March (1999), pp 61-76

[191] ibid.

[192] Throughout the Soviet Union, whole towns and cities were built around industries that exploited the country's vast natural resource wealth. Company towns were usually based on one major factory, which was the main provider of the economic livelihoods and social services to its workers. See Vesa Rautio, *The Potential for Community Restructuring: Mining Towns in Pechenga* (Saarijärvi: Kikimora Publications, 2004)

[193] According to the authors,in 1986, among 300 full members of the Central Committee, more than half represented federation members of different levels. In this, the Central Committee was a unique federal institution; it allowed more or less equal representation and access to lobbying for regional interests in Moscow. See Mikhail Filippov and Olga Shvetsova "Asymmetric Bilateral Bargaining in the Russian Federation: A path dependence explanation", *Communist and Post-Communist Studies* Vol. 32, No. 1 March (1999), p. 66. Again, some authors disagree with this assessment. Although discussion in the Central Committee included members of the Communist party from all over the USSR, the policy debate and decision-making occurred within economic and political parameters set by both the party and the ministries. In this context it is unlikely that the committee was a representative body in the western liberal democratic sense, or was it just an idle talking shop. A more likely scenario would be that the committee served as a body in which policy options were discussed and recommendations to the Politburo made within the economic and political priorities outlined by the federal ministries and the country's top political leadership. See Evan Mawdsley and Stephen White, *The Soviet Elite from Lenin to Gorbachev: The Central Committee and its Members 1917-1991* (Oxford: Oxford University Press, 2000)

[194] ibid., p. 66

The informality and relative equality of representation of the federation's constituent units played havoc with the Soviet Unions political and territorial cohesiveness toward the end of the perestroika period. Historical demands for union status by the autonomous republics, such as Karelia, Chechnya and Tatarstan, within some union republics were reawakened under Gorbachev's attempts at legal reform of the Soviet Union's institutional structure. These moves towards increasing degrees of autonomy were used cynically by competing political elites at the regional and the federal level. Inevitably, the process of winning favours from the regions and quelling unrest in the autonomous republics manifested itself in a deliberate attempt by the Communist Party to formalise relations between the federal centre and the union republics along with their autonomous constituent units.

The subsequent attempts at formalisation were put on hold by the party's unforeseen demise. The collapse of the ad hoc federal institutional structure along with the federally planned, regionally based economy led to regional leaders being bequeathed highly differentiated resources with which to bargain for a new status within the reconstituted and weakened Russian state. No longer was the federal bargaining game geared towards uniting territorial units by providing a model for egalitarian and efficient procurement of common goods. The game perceivably shifted to one that focused on holding the federation together at all costs.

The Federal Political System in the Russian Federation

Yeltsin's approach was no better. The signing of bi-lateral agreements between Moscow and 24 constituent units allowed each of the units to maximise its rent-seeking behaviour vis-à-vis Moscow based upon previous agreements, the relative political and economic strength of the federal government at the time as well as the inherent strategic value of the constituent unit. In the same way, Yeltsin's appeal to the Russian Autonomous Republics can be seen as based upon the same sense of idealism. Despite the lack of any institutional structure to act as a bulwark against selfish, rational behaviour at the expense of the federal union on the part of the regions, it was assumed that regions *a priori* understood that their best interests lay in remaining a part of the federation.

In response to the collapse of the Soviet System and the rejection of the Communist nomenklatura elite that upheld the system, Yeltsin and his entourage embarked on a path they termed "Market Bolshevism" in an attempt to destroy the vestiges of the old regime and create a new power base in Russia upon which they could legitimise their political rule.[195] With the creation of a new elite class for the Russian Federation under way, the main task facing the Yeltsin regime was the preservation of Russia's political, economic and territorial integrity. Bi-lateral agreements were signed between Moscow and the regional units, some of which contravened the laws set out in the Russian Federation's newly signed Constitution and most of which gave measurable amounts of political and economic autonomy thus creating the foundations for centres of political and economic power that rivalled Moscow. The subsequent federal–regional power arrangement proved unworkable. In the most extreme of instances, Chechnya, outright civil war ensued. Other Federal units such as Tatarstan refused to see themselves as subordinate to the rule of Moscow; Tatar legislation was seen to be on a par with or even taking precedence over federal statutes on the territory of the Tatar Republic. What ensued was a battle between the institutional priorities of the federal centre (maintaining the territorial continuity of the federation) and the newly won decision-making prerogatives of the regions. [196] Other authors also have perceived this shift in political power back to

[195] Peter Reddaway and Dmitri Glinski *The Tragedy of Russia's Reforms: Market Bolshevism against Democracy* (Washington, D.C.: US Institute of Peace, 2001)
[196] Richard Sakwa, *Russian Politics and Society* 3rd ed. (London: Routledge, 2002), p.1

the Centre, away from the Federation's constituent units.[197] Cameron Ross highlights some of Putin's reforms as evidence of the reconstitution of central state power in Russia.[198]

In the case of the Russian Federation, an obvious example of institutionalised bargaining would be the new statutes set out by the State Duma regarding the establishment of regulations concerning the reform of local government and political representation in the federal legislative branch. The highlighted laws are designed to streamline the manner in which constituents in the regions are represented at the federal level by eliminating the single-member districts and replacing them with representation based on the party list system. The legislation that was hammered out was the product of institutionally governed policy-making processes that were influenced presumably by various interests within the state bureaucracy and legislature without resorting to the use of coercion or physical force.

On the other hand, an extreme example of the second form of bargaining is illustrated by the actions of the Yeltsin administration during its confrontation with the State Duma in 1993. During negotiations over Level I constraints,[199] in this case the division of powers between the federal units and the federal centre, the institutions that were supposed to constrain elite behaviour failed miserably. The presidential administration was at loggerheads with the Duma deputies over levels of political and economic autonomy each region should receive in its relations within the federal arrangement. In order to break the deadlock, the presidential administration defected from the institutional structure and used military force to end the standoff over the future nature of federal institutions and regional powers. The bargaining process was completely undermined by the use of coercion by the federal elites. Not only did the use of force decidedly determine the outcome of the game in favour of the central governing elite position, but it also arguably handicapped the value that federal institutions would have in terms of safeguarding regional preferences in the future.

The Shortcomings of Russian Federalism: Filippov et al.'s Assessment

The institutional nature of the Russian state and the viability of the federal system are the focus of many in the western press and academia. Filippov et al. concentrate on some of the crucial reasons for why the Russian federal system is undergoing such a problematic, bifurcating development. Control over the bargaining process that leads to the stability and self-sustainability of the federal system is at the centre of their analysis, and they do not mince words:

[197] Katherine Stoner-Weiss, "Central Governing Incapacity and the Weakness of Political Parties: Russian democracy in Disarray", *Publius* Vol. 32, No. 2 (2002), pp. 125-148. Gordon. M. Hahn, "The Past Present and Future of the Russian Federal State", *Demokratizatsiya* Vol. 11, No. 3 Summer (2003), pp. 343-355; Eugene Huskey, "On the Future of the Russian State", *Demokratizatsiya* Vol. 11, No. 1 Winter (2003), pp 115-122; Peter Kirkow, *Russia's Provinces: Authoritarian Transformation versus Local Autonomy?* (London: Macmillan, 1998); Neil Robinson, (ed.) *Institutions and Political Change in Russia* (London: Macmillan Press Ltd., 2000); Martin Nicholson, *Towards a Russia of the Regions* (Oxford: Oxford University Press for the International Institute for Strategic Studies, 1999); Andrei Schleifer and Daniel Treisman, "A Normal Country", *Foreign Affairs* Vol. 83 No. 2 March/ April (2004); and Nicholas J. Lynn and A.V. Novikov "Re-federalising Russia: Debates on the Ideas of Federalism in Russia", *Publius* Vol. 27, No. 2 Spring (1997), pp. 187-204.

[198] Cameron Ross, "Putin's Federal reforms and the Consolidation of Federalism in Russia: One Step Forward, Two Steps Back!", *Communist and Post-Communist Studies* Vol. 36, No. 1(2003), pp. 29-47

[199] Level I, II and II institutions are discussed in detail in the literature review section. See also Mikhail Filippov, Peter .C. Ordeshook and Olga Shvetsova *Designing Federalism: A Theory of Self –Sustainable Federal Institutions* (Cambridge University Press: Cambridge 2004)

> Russia has adopted a configuration at all three institutional levels that is sharply at odds with theoretically justified prescriptions for successful federal design.[200]

The authors highlight four separate institutional weaknesses in line with their paradigm that has in effect hamstrung the creation of those conditions under which a more secure and workable federal arrangement could be developed in Russia:

Electoral arrangements: lack of "symbiosis" between local and federal electoral candidates; party list system leads to a centralized party format, no "coattail" effect or ladders of advancement through party structures for local candidates;
Regional Autonomy: highly personalized and centralized control over political and financial resources within the regions, leading to corruption and the stifling of nascent regional political and economic actors;
Constitutional Matters: bargaining format that treats the federal centre as an external instead of an integral actor in the negotiating process; subsequent extra-constitutional bilateral agreement process; unbalanced power structure between presidential and legislative branches;
Political Parties: lack of focus and attention to the importance of developing effective political parties in the process of integrating federal relations; bargaining between the federal centre and units takes on a "party-free" inter-elite configuration.

Overall, the major fault of the Russian institutional blueprint is its inability to integrate elite preferences with accountability to the public. Too much laxity in the design has left voids in the institutions so that bureaucrats can extract rent from individuals seeking state services. Political parties such as Yedinstvo, which could fill the void left by the Communist Party as a link between the federal-level decision makers and local constituencies, lose their relevance outside the capital. Regional heads are seen as bosses who are more in tune with the methods of paternalistic politics, instead of settling issues by open and transparent electoral competition. However, paternalism was not only manifested in the institutional organisation of economic and political power in the regions. By taking advantage of the Soviet Federation's ethnic policies and demographic conditions, regional elites were able to legitimise their new-found power by tapping into local nationalist movements and historical concepts of ethnic exceptionalism.

Ethnic Fragmentation and the End of the Soviet Union

The revisiting of the Soviet national identity which took place during the reforms of the Gorbachev administration in the mid 1980s began by questioning the validity of the high concentration of political, economic and social power in the hands of the Soviet elite. In order to halt what was generally seen as a system-wide malaise, the logical response to the system's centralised design was to open the state up to various societal interests that could not have been represented under the previous administrative structures. The opening up of the press, re-examination of Stalin's repression, the reorganisation of the economy, the introduction of a measure of representative politics and a rethink concerning the country's identity issues were all on the political agenda. The results of the *perestroika* and *glasnost* strategy were unexpected. Instead of producing new sources for Soviet federal legitimacy, institutional change fostered anti-Moscow sentiment on regional-centred economic, political and nationalist basis. [201]

[200]Mikhail Filippov, Peter .C. Ordeshook and Olga Shvetsova *Designing Federalism: A Theory of Self –Sustainable Federal Institutions* (Cambridge University Press: Cambridge 2004) p. 302
[201] ibid., p 211

In the ensuing mêlée, the Communist Party cadre, the nomenklatura, split publicly along ideological lines. Liberal reformers under Gorbachev's leadership saw very little reason in returning to the centralised form of state control over society, the economy and politics which had contributed to the country's manifold difficulties. The conservative representatives saw the liberalisation movement as a direct threat to their power and prestige. Their monopoly over power would be undercut by allowing an increased amount of power for an increasing range of competing societal interests. In this struggle over how power was to be organised and who would ultimately control the state, there is observable proof that within the framework of a larger game centring on the struggle for control over power of the future institutional framework, ethnic identity was used as a bargaining chip by all competing elites.[202]

Following Gorbachev's victory over the conservatives regarding his reformist platform, the inter-elite battles would continue to spiral downward. The second phase of competition over who would determine the structure of any future version of the Soviet State would turn internecine, and see reformer pitted against reformer. One of the major weapons in this new period of struggle for control over the country was the concept of sovereignty. A tit-for-tat fight between regional Communist Party leaders and the federal centre went forward according to which unit possessed the legal superiority in terms of passing legislation. .[203]

The knock-on effects from such a strategy invariably amounted to conjuring up the ethnic identity issues that were never resolved by the previous Soviet leadership, and would only serve to exacerbate already tense political, economic and social competition over the state's administrative resources. The ethnic issues did not only originate from the ground up, however. The notion of oppressed marginalised minority ethnic populations seeking more autonomy regarding their own affairs is rather a misrepresentation of the facts. As a major ethnic group within the USSR, Russians were used as the fulcrum by which political power was prised out of the hands of Gorbachev. As leader of the largest Union Republic in the Soviet Union, Boris Yeltsin used the Russian republic's political clout within the Soviet federal system, and evoked Russian ethnic identity and national chauvinism to propel his political and economic stratagem against Gorbachev and the Soviet federal centre, too.[204]

Yeltsin continued his assault on Gorbachev's federal power base and agreed formally with Ukraine in 1990 that each republic would recognise the other as a sovereign state. He supported the Baltic republics' drive for independence by opposing the military crackdown by Soviet forces in the region in 1991. For his part, Gorbachev did not just stand idly by and let Yeltsin gain advantage. Again, the main instrument used by Gorbachev was the institutionalised ethnic component of the Soviet federal structure. By upping the ante, Gorbachev attempted to demonstrate that the cost for challenging the communist party's monopoly on power in the Soviet Union would ultimately be too high for the elite which inherited any successor state.[205]

The one-upmanship continued. A series of constitutional and treaty-based tripwires were set in position to thwart any major stab at expanding one's power at the expense of the competitor's clout. The infighting was very public, with both Yeltsin and Gorbachev in effect going to the people with their own competing, ever more populist visions for the state. This institutional discord between the federal authorities and the Union republics shook the system's stability to its core. Like apples on a

[202] ibid., p 212
[203] In most cases, the term "sovereignty" remained ill-defined; at a minimum it meant that union republic laws took precedence over the laws and the constitution of the Soviet central government. Ibid., p. 211
[204] ibid., p 212
[205] ibid.

shaking tree, the ethnic minorities were now getting ready to fall from the federal system's branches. [206]

The country as a whole began to tire of the struggle amongst the once united communist nomenklatura. During the struggle for power in the country between Yeltsin and Gorbachev, the economy had stagnated further, the political system was drowning under a wave of cynical behaviour on the part of the leadership, and society was breaking up in ethnic divisions. By August 1991, both sides had reached end-game. Still, the reverberations from Gorbachev's demise would haunt the Yeltsin administration during its tenure in office. yeltsin's own administration would be revisited by the ethnic issue and threaten his administration's ability to remain legitimate in the eyes of the Russian Federation's diverse constituencies. [207]

The Ethnic Issue and the Russian Federation

The ethnic issue as far as it concerns today's Russian Federation had its roots planted in the populist strategies employed by both Gorbachev and Yeltsin in their personal struggle for control over the central apparatus of power of the former Soviet Union. Yeltsin had used Russian ethnic identity within the Union republic framework to weaken Gorbachev's attempts at reforming or reconstituting the USSR. Gorbachev for his part made sure through the employment of rear-guard political tactics that any move towards independence by any of the Union republics would trigger a slew of similar claims by the autonomous regions within each of the union republics, including Russia. As a result 14 Autonomous Republics and 3 Autonomous regions on the territory of the Russian Federation declared themselves independent from the Yeltsin administration. [208]

In order to counteract Gorbachev's political and constitutional manoeuvrings, Yeltsin himself appealed to the ethnic sensibilities of the minorities on the territory of the Russian union republic for their support. His attempt to sway their opinion in his favour included guarantees of self-determination for the Russian republic's minorities.[209] Such concessions would cost Yeltsin when he took the reins of power for the reconstituted Russian Federation in 1992. Given the green light to grab as much power as they could, the Russian federation's constituent units began to formulate their own constitutions and utilise the institutional structure bequeathed to them by the Soviet administrative system for their own purposes. Legal, economic, political and social chaos reigned. [210]

By 1993, the structural cacophony reached a climax in Russia's Parliament, the State Duma. The representatives in the Duma during the period sought to expand upon their regions' new-found economic, political and social autonomy. In a cruel twist of political fate, Yeltsin found himself prey to those same forces of economic, political and ethnic discord that he himself had harnessed during his battle against Gorbachev. The principal ideological dividing line between the competing sides this time was not democracy versus a stagnant form of state socialism, but order versus pandemonium in the newly formed state. Yeltsin fought fire with fire and enlisted several powerful regional leaders in his efforts to quell the revolt that was taking place in the state's legislative branch.

In return for their institutional loyalty, Yeltsin made massive economic, legal, and political concessions. This handing out of indulgences to loyal regional leaders was an instrumental attempt

[206] ibid., p 213
[207] ibid.
[208] ibid.
[209] This guarantee was made in June 1990. See Hunter, pp 213- 214
[210] ibid., p 214

at manipulating ethnic divisions in the federal structure in order to preserve the system out of political expediency. Still following Yeltsin's dissolution of the disloyal parliament in 1993, and calling for new elections under a new Constitution to restock the parliament with new personnel, the core issue of levels of autonomy between the regions and Moscow was not resolved. Economic redistribution was the key issue and it seems to have been resolved was resolved on a case by case basis at the expense of federal institutional harmony. [211]

This new form of regionalism was exacerbated not only by the heterogeneous concessions made by the federal centre to the regions, but by the nature of control over the new federal format endorsed by the Yeltsin administration at that time. Decision-making was not formulated along established institutional lines, but according to a highly personalised hierarchy of contacts which forwarded a limited political and socio-economic agenda based on regional interests. [212]

Both the regional and federal elite were publicly damned by their cynicism during the struggle for maximising political power and economic wealth while the institutional structure they were fighting over crumbled around them. Identity, both ethnic and national played a conspicuous role in the strategies of competing elites' and continuing institutional imbalance in the Russian Federation today. The rise of nationalism and separatism among ethnic minorities, which contributed to the disintegration of the Soviet Union, also spread among minority nationalities of the RFSFR and its successor, the Russian Federation, generalising fears that the Soviet Union's collapse would be the prelude to the territorial dissolution of the Russian Federation.[213]

[211] ibid., pp. 214-16
[212] ibid., p. 134-135
[213] ibid., p. 131

Chechnya: The Personalisation of Power Politics

Introduction

It would seem that, at least on the surface, the choice to analyse the case of Chechnya in terms of its social, economic, and political relations with Moscow would be obvious. As a cultural, economic, political and social outlier within the group of constituent units of the Russian Federation, the Republic of Chechnya should provide a great amount of information for analysis and speculation into the institutional nature of the Russian federal system. From the political perspective, Chechnya was the only constituent unit of the Russian Federation to declare full independence from Russia. In economic terms, Chechnya presents a contradictory subject of study. While being one of the poorest regions during the Soviet period[214], the republic was at the centre of the country's oil industry, remaining crucial to the USSR's and later Russia's processing industry up until the first Chechen War broke out in 1994. Socially, the Chechens themselves had never been fully integrated into the cultural framework of the Russian Empire, the USSR or the Russian Federation for that matter.[215] On several occasions, the Chechens have been subjected to military invasion, massacre, physical deportation, and humiliation.

However, the scientific conclusions drawn in previous studies of the Chechen case are to an extent bound to the myths[216] that have shrouded the republic's relationship with Moscow centre, robbing analysts of key insights into just why Chechnya has been such a problematic case in terms of regime consolidation for the authorities in the Kremlin.[217] Many treatments of the causes behind the Chechen conflict centre upon primordial, ethnic approaches to explain the region's political and economic exceptionalism. The argument follows along the lines that Chechens by their very nature are poorly disposed to be part of any organised political structure such as the modern state. In view of their tribal power structures they were unable and unwilling to submit to the rule of others,

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[214] More in depth analysis of the socio-economic conditions in the republic in available in A.G Granberg, "The Present Situation and prospects for Socio-economic development of the Chechen Republic" in *The Chechen Republic and the Chechens: History and Modernity. Materials from the All Russian Scientific Congress Moscow 19th-20th April 2005* (Moscow: Nauka, 2006), pp. 14-20 and, A.I. Avtorkhanov, "The Socio-Economic Situation in Chechnya" in *The Chechen Republic and The Chechens: History and Modernity. Materials from the All Russian Scientific Congress Moscow 19th-20th April 2005* (Moscow: Nauka, 2006), pp. 30-34

[215] For a further discussion on the sources of religious and identity aspects of Chechen exceptionalism, see Shireen T. Hunter, *Islam in Russia: The Politics of Identity and Security* (New York M.E. Sharpe, 2004)

[216] R.B. Ware, "A Multitude of Evils: Mythology and Political Failure in Chechnya" in Richard Sakwa (ed.), *Chechnya from Past to Future* (London: Anthem Press, 2005) Russian scholars such as Dzhamirzaev sees that the difficulty in determining a group's identity is rooted in the concept of identity itself. It is very difficult to separate myth from actual human behaviour in a historical context. Outside of genetic heritage, there are very few factors that can be employed to determine identity with sufficient levels of certainty. See S.M. Dzhamirzaev, "The Ethno-genesis of Chechens: Problems, Complex Analysis and General Achievements" in *The Chechen Republic and the Chechens: History and Modernity. Materials from the All Russian Scientific Congress Moscow 19th-20th April 2005* (Moscow: Nauka, 2006), pp 151-155

[217] In his critique of past assessment of the causality behind the difficulties in Chechen Russian relations, Richard Sakwa labels this approach as 'monochromic'. Superficial renditions of historical truths render deeper analyses of the innate economic, social and political factors impossible due to the scientific irrefutability of such historically indisputable facts. See Richard Sakwa "Introduction: Why Chechnya?" in Richard Sakwa (ed.), *Chechnya from Past to Future* (London: Anthem Press, 2005). Russian scholars such as Dzhamirzaev see that the difficulty in determining a group's identity is rooted in the concept of identity itself. It is very difficult to separate myth from actual human behaviour in a historical context. Outside of genetic heritage, there are very few factors that can be employed to determine identity with sufficient levels of certainty. See S.M. Dzhamirzaev, "The Ethno-genesis of Chechens: Problems, Complex Analysis and General Achievements" in *The Chechen Republic and the Chechens: History and Modernity. Materials from the All Russian Scientific Congress Moscow 19th-20th April 2005* (Moscow: Nauka, 2006), pp. 151-155

especially by those who impose alien political institutions from above.[218] The anti-colonialist position is augmented by Chechen ethnic exclusivity: their language and customs are unintelligible to the bulk of their neighbours in the Caucasus. The acceptance of Islam in the late 16th century[219] also set the Chechens apart religiously, legally and culturally from their Christian neighbours, the Georgians, Armenians, and Russians while allying them with Persia and the Ottoman Empire to the south and west.[220] Adapted from the above formulations, arguments concerning Russia's own political, economic and social peculiarities are applied with equal frequency to explain the peculiarities of Chechnya.

The goal of this chapter is not to expound upon the already existing literature which subscribes to the well-established myths surrounding Chechnya's awkward relations with the Russian Federation. Instead, this case study starts from the following departure point: in the absence of viable institutional approaches to the political, economic and social relations between Moscow and Grozny, a highly personalised, inflexible and immutable power structure was constructed to maintain the primacy of Moscow's preferences in the republic. The propagation of the personalised system of power over time allowed Moscow to fulfil its major policy priorities in the region: territorial inviolability and centralised control over strategic economic resources. Once the centralised system of control was questioned and then disassembled during perestroika, the occurring institutional vacuum was filled not by newly minted democratic institutions, but by newly formed elite groupings who sought positions of power to forward their own agendas. As we will see later in this chapter, these new interests did not necessarily coincide with those of Moscow, nor did the elites who espoused the competing strategies have the economic resources or political skills to see their strategies through, especially under the fluid, mutating institutional environment that characterised the establishment of the Russian federal framework in the early 1990s.

At the critical juncture of new elites acceding to positions of power in an institutionally free environment, the political, economic, social and historical idiosyncrasies observed in Russian – Chechen relations formed the conditions under which both regional and federal elites would forge their power-maximisation bargaining strategies vis-à-vis each other for the next two decades. National self-determination, mixed with promises of economic salvation, the re-establishment of Islam as the basis of the republic's social fabric, as well as a high degree of political sovereignty, all comprised the untenable programme espoused by the Chechen elite in their pursuit of legitimising themselves amongst their competitors in the Chechen constituency as well as in the eyes of the Kremlin's political leadership.

From Moscow's position, the ultra-nationalist economic and political rhetoric emanating from the Chechen capital Grozny fully contradicted the long-term political, economic and institutional preferences formulated by the Kremlin's new regime. However, the options available to the

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[218] In her work, Anna Matveyevna does not subscribe to the Chechen exceptionalist model either. Instead, she finds that the republic shares much in common with its neighbours in the Caucasus region, both institutionally and socially. Chechnya's main deviance is observed in the contradictions that exist in the degree of economic and political interdependence the republic shares with Moscow. See Anna Matveyevna, "Chechnya and the North Caucasus: Rule or Exception?" in *Chechnya and Russia: Society and the State* (Moscow: Sakharov Centre, 1999), available at <http://www.sakharov-center.ru/chs/chrus19_1.htm> accessed on 10.10.2007.

[219] See Anna Zelkina, "Islam in Chechnya up until the Russian Invasion" in *Chechnya and Russia: Society and the State* (Moscow: Sakharov Centre, 1999), available at <http://www.sakharov-center.ru/chs/chrus03_1.htm> accessed on 10.10.2007 and V.K. Akaev, "Islam in Chechnya: Tradition and Modernity" in *The Chechen Republic and The Chechens: History and Modernity. Materials from the All Russian Scientific Congress Moscow 19th-20th April 2005* (Moscow: Nauka, 2006), pp. 88-101.

[220] For a more in depth discussion on the situation in the Caucasus during Russia's incursions into the region, see Sharudin. Gapurov, "Methods of Tsarist Colonial Politics in Chechnya in the first half of the 19th Century" *Chechnya and Russia: Society and the State* (Moscow: Sakharov Centre, 1999) available at <http://www.sakharov-center.ru/chs/chrus06_1.htm> accessed on 10.10.2007.

Kremlin to rein in Grozny's "separatist" leadership were limited. Curtailing newly won political freedoms would undercut Moscow's attempts to co-opt other regions into the newly formed Russian federal framework. After the battle over political power between the legislative and executive branches that culminated in the shelling of the Russian Parliament in 1993, Moscow had very little room to make mistakes with the teetering institutional hierarchy its was trying to cobble together from the remnants of the RFSFR. Political legitimacy in both Grozny and Moscow was at a premium and sought after vigorously by the new leadership in both capitals. The combination of extremely unrealistic expectations for realising political, economic and social priorities on the part of both Moscow and Grozny, coupled with limited resources and strategic options for realising each strategy in an unstable, untenable institutional environment, contributed to the collapse of federal relations between the two sides and resulted in open and bloody conflict that has now lasted close to 13 years.

The chapter is laid out in the following format: the first section details the Chechen Republic's economic and political geography. Then, the region's historical relations with both the Russian Empire and the Soviet Union will be chronicled. An analysis of the Chechens' relationship with Islam will augment the historical discussion. The third section details the events, actors and outcomes of the turbulent end to the perestroika period in the republic and its relations with the Russian Federation. Finally relevant conclusions will be presented.

The Political and Economic Geography of the Chechen Republic[221]

The republic of Chechnya is located in the Northern foothills of the Caucasus Mountains. The republic is a territorial unit in the Southern Federal Okrug and the North Caucasus Economic Area of the Russian Federation. On the republic's eastern border is the Republic of Dagestan. To the north lies Stavropolsky Krai, and on the western border of Chechnya lie the regions of North Ossetia, Alaniya and Igushetia. To the south-west is the independent state of Georgia. The republic's territory is split roughly between agriculturally fertile plains surrounding the Terek river valley in the north and the high alpine peaks of the Caucasus Mountains in the south. The republic's capital, Grozny (population 223,000 in 2002), is located in the centre of the republic at the foot of the Caucasus mountain range.

At the time of the 2002 census, the republic population totalled 1,103,686, with a majority of the population living in rural areas (65.5 percent). Demographically, the republic is dominated by the republic's titular ethnic group; 93.5 percent of the region's population consider themselves ethnic Chechens, while Russians (3.7 percent) and Kalmyks (0.8 percent) make up the rest of the society. The Chechens are Sunni Muslims and closely related to several other indigenous groups spread throughout the region. Together with the neighbouring Ingush the two groups refer to themselves as Vainakhs. Their language is included in the Nakh dialect of the Caucasian linguistic group.

The centre of the republic's industrial economic activity before the two Chechen wars was Grozny. The main economic activities in the region centred mostly on the petroleum industry. Not only is oil and natural gas still extracted from the republic's wells, but a large refining and transit network had developed, based on the republic's natural reserves that still possess domestic as well as international significance today. Agriculture is still a main component of its economy, with arable farming and animal husbandry making up the majority of the region's agricultural activity. Despite producing 1.5 m metric tonnes of oil in 2002, the region's economy is in poor shape. Republican levels of unemployment, a chronic problem for Chechnya lasting back to Soviet times, stands at

[221] For more detailed information see *The Territories of the Russian Federation 2006* 7th edition (Routledge: London and New York, 2006), pp. 122-130

70.9 percent. Economic aid from the Federal centre remains a major source of revenue for republican coffers. In 2003, 3.500m roubles were allocated for the republic's budget from the Federation's own transfer funds.

Perestroika: The Reformation of the Chechen Elite

Up until the perestroika period, the Chechno-Ingush ASSR had never been run by an ethnic minority member of the Communist Party of the Soviet Union. Despite the historical social, political and economic power imbalance between the indigenous population and the Russians in the republic, the pressure for representative reform never fully came to the surface of the republic's society. Perhaps this was due to the social-economic conditions alluded to above in which most of the Chechen men of working age were forced to find work outside the republic, thus depriving society of a potential stimulus for change. Perhaps the stifling corruption and institutional structure rooted in the communist party nomenklatura's monopoly over political power kept the lid on political dissent. These questions aside, Gorbachev's programme of political economic and social reform in the mid to late 1980s would allow opportunity for the republic's disgruntled voices to be heard, the formation of grass-roots political movements to evolve, and the opportunity for a new political class to take charge in planning the republic's future.

Under Gorbachev's reform programme, political, economic and social commentary and criticism was allowed to flourish in the public discourse. The catalyst for initiating reform within the Chechno-Ingush republic was found within the republic's intellectual circles. Intellectuals began to research questions that up until perestroika were taboo. Researchers delved into the substantive character of Russian – Chechen relations outside the framework of state-sponsored Marxist-Leninist rhetoric of ethnic and economic self-determination. Interest in the cultural history of the Vainakh began to grow. All this intellectual curiosity began to coalesce into an intellectual platform for a national political movement.[222] The public debate on pressing issues was genuine, but the quality of the intellectual leadership, especially of the early political movements in the republic, was dubious. The leader of the People's Front, Hozh-Akhmed Bisultanov, was from a humble background and only possessed a degree from a technical institute. Despite his limited education, the role of leader to the oppressed masses came naturally to him. However, the lack of a qualified national elite was debilitating to the overall effectiveness and relevance of the new-found nationalist political movements. [223]

The demands of the new nationalist movements[224] were not novel. They called for overall democratisation of the republican political process and social life, the guarantee of freedom of speech, a free press, the re-establishment of the national culture, and a redressing of the uneven

[222] All such a movement needed to form from the milieu made up of various societal interests was a particular cause to energise its membership, galvanise the movement's political stance and motivate the membership to public forms of political advocacy. For example, the heretofore informal Chechen environmental movement benefited from the republican opposition to the construction of a planned Biochemical plant in the city of Gudermes in late 1987. On the heels of the green protests, informal groups met in the republican capital Grozny in 1988 and formed the Union of Support for Perestroika, which later transformed itself into the People's Front of the Chechno-Ingush ASSR, led by H.A. Bisultanov. See Dzhabril Gakayev, "The Road to the Chechen Revolution" in *Chechnya and Russia: Society and the State* (Moscow: Sakharov Centre, 1999), p. 1 available at <http://www.sakharov-center.ru/chs/chrus08_1.htm> accessed on 10.10.2007.

[223] The same can be said for the nationalist movements amongst the Ingush. See Dzhabril Gakayev, "The Road to the Chechen Revolution" in *Chechnya and Russia: Society and the State* (Moscow: Sakharov Centre, 1999), p. 1 available at <http://www.sakharov-center.ru/chs/chrus08_1.htm> accessed on 10.10.2007.

[224] Besides the People's Front, other political organisations such as Kavkaz and the People's Front Supporting Perestroika were established. For its part, Kavkaz concentrated sponsored open discussions on the rediscovery of Vainakh history and gave the impetus for the creation of a national elite. The People's Front Supporting Perestroika was headed by a journalist, L. Saligov, and represented more radical nationalist tendencies within the Chechen intellectual elite and published a populist journal, *Equity* that created a significant following among the population. See ibid., p. 2

historical relations between Moscow and the Chechen and Ingush peoples. [225] The general meetings held in the republic's cities were initially treated with a good deal of scepticism and contempt by the republican communist leadership. However, as time progressed, the movements failed to melt away, eliciting once again repressive measures on the part of the state to dispel the opposition and with them any notion of a weakening of the nomenklatura system.

A substantial institutional shift in the political structure of the republic took place with the call for elections for People's Deputies of the USSR, the new federal representative body in Moscow created by Gorbachev in 1989. Several Chechens stood for election in the 1989 campaign and won seats in the Deputies' assembly and in the Supreme Soviet of the USSR.[226] At the same time as federal elections to the new assembly were being held, local elections at the republican level were also underway. In Chechno-Ingushetia, as a result of the 1989 elections a Chechen was chosen to the republican communist party's highest post for the first time in the republic's history: Dzhokar Zavgavyev, a former member of the regional branch of the Communist party.[227]

Immediately after taking office, Zavgayev's political strategy was aggressive in terms of liberalisation of the republic's political economic and social life. His plan had three priorities: political liberalisation, the reintroduction of Islam to the society, and a change of the republic's political cadre. The results of the policy were immediately observable. The press became more critical of the ideology and policies of the regime. Hitherto taboo political issues, such as the deportations of the Chechens and Ingush and the indigenous population's harsh treatment by Imperial and Soviet forces during periods of political repression, were openly discussed. The activities of organs of state power and law enforcement were curtailed. Islam experienced a renaissance in the republic. The institutions and hierarchical structures of the clergy were re-established, Mosques were commissioned and theological schools were opened. Most important symbolically was the ability of faithful Chechen and Ingush Muslims to attend the annual holy pilgrimage to Mecca (Hadj/Hajj), a cornerstone of obligation in the Muslim faith. Zavgayev also cleaned house in terms of the personnel responsible for the running of the republic. He removed from office the bureaucrats most identified with the previous group of bureaucratic nomenklatura. In their place came Chechen and Ingush intellectuals, members of the newly formed progressive and nationalistic elite.

The speeding up of the liberalisation drive facilitated Zavgayev's removal from power of any of the opposition in the republic's bureaucracy. All in all seven regional communist party secretaries, bureaucratic functionaries, and members of the security forces were dismissed from their posts and replaced with Zavgayev supporters.[228] In order to perform such a bold stroke to consolidate his own position within the republic, Zavgayev had enlisted the support of the People's Front to discredit his rivals in the state bureaucracy by employing nationalist dissatisfaction with the republic's social, economic and political conditions against individuals in the republican "soviet" nomenklatura.

By 1990, regional elections to the Chechno-Ingush ASSR legislative and executive bodies were held along with elections to the Congress of People's Deputies of the Russian Federation. By all

[225] ibid., p. 2
[226] Candidates' backgrounds varied from those who had backing from the nomenklatura as well as independent intellectuals. See ibid., p 2
[227] Perceived as an opposition candidate, Zavgayev garnered electoral support from the Chechen, Ingush, and Russian constituencies. His electoral win was received as a victory for the nationalist movement in the republic and the population's expectations in terms of policies to improve the republic's social and economic concerns were extremely high. Additionally, Zavgayev had many political interests to compete against: there were Moscow with its federal priorities, the populist national front, as well as the republic's established party nomenklatura to deal with.
[228] Gakayev states that most of those functionaries replaced in Zavgayev's consolidation drive were of Chechen origin. This can be taken as an indication of the political and power oriented nature of Zavgayev's strategy concerning his republican rivals. See Gakayev (1999), p. 3

accounts, the winners of both elections from Chechno-Ingush ASSR were representatives of the soviet nomenklatura and the republican communist party leadership. Despite the victory for the party functionary and state bureaucratic interests, Zavgayev was chosen as head of republican executive authority, the Republican Supreme Soviet. Independent and opposition forces also gained seats in the Supreme Soviet, including Ruslan Khasbulatov.[229] The newly elected independents in the Supreme Soviet formed the political faction, "Democratic Initiative" which espoused the interests of the national elite and intelligentsia and positioned themselves as direct political rivals to the party nomenklatura within the executive.

In order to further consolidate political power in the hands of an increasingly shrinking group of political elites, Zavgayev sponsored an institutional restructuring of the executive and legislative branches of the republican government. To all intents and purposes, the apparatuses of both the state decision making bodies and the republican communist party structures were given over to control of the Supreme Soviet. Leading figures in both the party and bureaucratic structures were named to the presidium of the Supreme Soviet as an additional perk. Many allied bureaucrats found themselves named to positions of increased decision-making power as well as being representatives sitting on key legislative committees.

In spite of the reshuffling of the bureaucratic cadre, the reorganisation of political authority, consolidation of decision making power and the liberalisation of political life in Chechen society the condition of the republic's economy was ignored. That is not to say that the economy was not showing signs of development and growth. Major strides in the oil industry, both in recovery of oil and gas on republican territory and in the production and transit sector, contributed to economic and social improvements in the republic.[230] However, the necessary social and economic reforms in housing, healthcare, employment and the development of high-tech industries were confined to the imaginations of the republican administration.

Another pressing issue that needed particular attention of the regional leadership was the Ingush question. Since rehabilitation of the republic by Khrushchev in 1957, the Chechens and Ingush were paired together in one constituent ethnic republic within the Soviet federal system. Ingush nationalists in 1990 called for a review of the federal relations and the structure of the Chechno-Ingush republic. Meetings sponsored by the Ingush national union, Niiskho, were held in Grozny and it was at these congresses that the concept of a separate Ingush republic was broached by Ingush nationalists.[231]

In November 1990, the national intellectual elite began to coalesce into a more cohesive political actor in the republic. Also participating in the event was the recently formed Vainakh Democratic Party (VDP). Under the leadership of Z. Yanderbiyev, the VDP espoused a very radical nationalist

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[229] "Ruslan Khasbulatov is founder and head of the Department of International Economy at the Russian Economic Academy. He graduated from the Law Faculty of Moscow State University and holds a Ph.D. from the same university. In 1990, he was elected to the Russian Congress of People's Deputies and to parliament [Supreme Soviet]. In 1991, together with Boris Yeltsin, he organized the suppression of the August "putsch" and later was elected chairman (speaker) of the congress and parliament. He became increasingly critical of Yeltsin's political and economic policies, which led to a confrontation between parliament [Congress and the Supreme Soviet] and the president. In October 1993, he was imprisoned after parliament's attempt to oust Yeltsin was crushed by the army. He was released in a 1994 amnesty. He was then active in Chechen politics, advocating limiting sovereignty for Chechnya." See <http://www.rferl.org/specials/50radioliberty/ruslan.asp> accessed on 10.10.2007.

[230] According to Gakayev, 4m tonnes of oil were extracted from republican wells while another 16-18m tonnes of oil were processed and refined in republican refineries. The processed hydrocarbons provided consumers with specialised products not only for the Caucasus region, but for the Soviet Union's major industries as well, including the aviation sector. See Gakayev (1999) p. 4

[231] Other issues debated concerned territorial claims held over neighbouring North Ossetia by the Ingush resulting from the deportation and dissolution of the Chechno-Ingush ASSR in 1944 by Stalin. See *The Territories of the Russian Federation 2006* 7th edition (London and New York: Routledge, 2006), p. 137

platform, reminiscent of some of the group's predecessor, the People's Front. The Congress of the Chechen People (CChP) was convened for a general meeting to discuss the economic, political and social conditions in the republic. The Congress gained its support from the liberal wing of the republican administration's executive body, the Supreme Soviet, and a personal endorsement from Zavgayev himself. It is alleged that Zavgayev had ulterior motives in supporting such an event including the co-opting of the nationalist platform and constituency into his own powerbase.

The guiding principle of the Congress was the concept of sovereignty and the establishment of an independent Chechen state based upon the historical legacies of political repression, economic marginalisation and the lack of social development within the Russian Empire and the Soviet federal system. Very predictably, judging by the interests represented at the Congress as well as the overall social climate in the republic at the time, the delegates called for the establishment of an independent Chechen state. However, the Congress's resolution for the establishment of an independent Chechen state bore no legally binding status in Soviet law, even if the congress itself derived its legitimacy from the election of its delegates as well as garnering the support of republican power structures.

Zavgayev seized the initiative from the Congress later in November in the Chechen Supreme Soviet. As head of that body, Zavgayev declared the sovereignty of the Chechno-Ingush Republic. As a sovereign political entity, the newly declared Chechno-Ingush Republic would conduct external relations with other states from an equal legal as well as political status. [232]

The result of the declaration was a tactical success. In one fell swoop, Zavgayev consolidated his own political position in the republic by fusing together his newly created bureaucratic network in republican decision-making institutions with the nationalist rhetoric of the radical social elements represented at the CChP. Simultaneously, Zavgayev was able to marginalise the most radical of his opponents in the nationalist camp. His improved domestic political position in turn accrued benefits within the federal structure itself: Moscow no longer held sway over the day-to-day running of Chechnya.[233]

The Split of the Perestroika Chechen Elite

Zavgayev's newly consolidated position of authority in the region was not left unchallenged for long. Rivals would develop from within his own support bases, while the opportunity for the opposition to challenge Zavgayev for control of the republic would be provided by external events, namely institutional decay and the ultimate collapse of the Soviet Union. Splits within the national movement began to come to the surface as early as winter 1990. At that time, former Soviet Air Force general D. Dudayev was elected to the executive committee of the Congress of the Chechen People. Upon his election Dudayev ceased being an outside observer of Chechen politics and formed what he called a "constitutional opposition"[234] to the Zavgayev regime. The new opposition's support came from the radical fringe of the nationalist movement, namely Yanderbiyev's VDP. Dudayev's platform mirrored that of Zavgayev, but pressed the issue of sovereignty with more vigour. Sovereignty for Dudayev was an insipid political compromise and

[232] Gakayev (1999), p. 2
[233] For instance laws passed in the Russian Federation were blocked from being enacted on republican territory by the Chechen Supreme Soviet. There were bigger stakes at hand at the time as well. Within the Federal framework, Chechnya had gained a major advantage over Moscow due to Gorbachev's weakening position vis-à-vis a resurgent and separatist Russian Republic under the leadership of B. Yeltsin. Allies in the struggle against the dissolution of the USSR were important to Gorbachev and Zavgayev was determined to maximise his advantage over the Soviet Federal centre. See Gakayev (1999), pp. 2-3.
[234] ibid., p 2

constituted deferring to the preferences of Moscow at the expense of the interests of the Chechen people. Instead Dudayev sought total independence for Chechnya from the Russian and Soviet state.

By the spring of 1991, events within the Chechno-Ingush Republic had taken a turn for the worse. The Ingush nationalists were now pushing for their own separate state and sought to break away from the previously unified autonomous republic. The Ingush demands for the return of lost territories now included in neighbouring North Ossetia led to a spiralling of demands from all sides in the conflict, engulfed previously uninvolved regions in the crisis and led to civil unrest which ultimately called for intervention on the part of the Soviet authorities in Moscow.[235] Under these deteriorating conditions Dudayev made his move for power. From the executive committee of the CChP, Dudayev called for the complete and utter dissolution of ties between the Chechen republic and both the USSR and its constituent unit, the Russian Soviet Federal Socialist Republic. Dudayev called for the creation of the Chechen Republic of Nokhchi Cho in an attempt to reclaim the nationalist position established by the first session of the CChP and then co-opted by Zavgayev into his own administration's platform.

A rival centre of political power had been formed in the republic. Dudayev's opposition and Zavgayev's republican powerbase battled for every ounce of political capital and strategic advantage in a zero-sum game format. Both groups refused to give on issues such as the election of the president of the Russian Federation.[236] Zavgayev for his part felt it was not worth the risk to argue with the federal elites on this issue and supported the candidature of B. Yeltsin for the post. For its part Dudayev's opposition rejected the idea of participation in elections on the basis that such involvement indicated Chechnya's willingness to remain a subject of Moscow. Again the winner of the contest was Zavgayev. By supporting Yeltsin in the elections for President of the Russian Federation, he ostensibly came out against Gorbachev and the Soviet nomenklatura, thereby gaining a powerful ally in the opposition camp in Moscow, Yeltsin. Yeltsin repaid Zavgayev's loyalty by permitting Chechen firms to export the republic's oil resources and then retain the proceeds in republican budgetary coffers.[237] Henceforth economic incentives and development would be the preferred method for Moscow by which the Chechen Republic could be reined back into the federal framework. [238]

With the increase of more moderately orientated interests coming to the fore in Chechen society, the radical nationalist opposition's relevance was waning. By the summer of 1991, the CChP was in full retreat from Grozny and was forced to find new constituencies amongst the rural population of the republic. Fate seems to have intervened on the side of the nationalists just when their political stock seems to have hit its nadir. On 19 August 1991, a putsch to remove Gorbachev as head of the Soviet Union was carried out by conservatives in Moscow. The opportunity to resurrect the nationalist opposition had come. Immediately, while Zavgayev's administration dithered,[239] the

[235] More importantly, the Ingush crisis demonstrated the structural frailty of the Soviet federal state. Arbitrarily drawn geographical borders were now being questioned by disaffected populations who either had been stripped of their land or separated by artificial territorial boundaries. Because the institutional structures of the Soviet Union were attached directly to these capricious territorial delineations, the structural viability of the state's institutional framework was under threat from social, political and nationalist pressures.

[236] The events at the federal level that occurred between opposing Russian (Yeltsin) and Soviet (Gorbachev) political elites replicate those in that were observed at the regional level in Chechnya: an open-ended tit for tat sum zero game in which rival political elites formed competing centres of power and utilised all their political resources to impart their own particular agenda to influence the future institutional structure of the Russian state.

[237] Gakayev(1999), p. 4

[238] ibid., p. 4

[239] Zavgayev himself was in the Soviet capital at the time preparing to sign a bi-lateral agreement between Grozny and Moscow. Neither Zavgayev nor his closest aids came out with a clear position on which group the Chechen administration supported in the coup. Lower level functionaries such as the head of the Grozny regional branch of the

CChP came out forcefully against the coup plotters. The CChP called for the removal of all members of the republican executive, the Supreme Soviet. The opposition raided the Grozny television station facilities and organised a mass protest in the middle of the city. Under the circumstances the republican administration was paralysed and authorities either refused to act or just did not know how to respond to the extraordinary situation they had on their hands.

Moscow attempted to pacify the situation through a public show of support for Zavgayev and sent emissaries, including Ruslan Khasbulatov, to head negotiations with the opposition. The constitutional crisis in the republic had reached a critical stage. Zavgayev refused to relinquish power in the Supreme Soviet. The opposition, through its continuing control over republican media continued to call for the executive to be removed from public office. Offers of a mediated settlement through a new round of elections were rejected by Zavgayev. Zavgayev finally acted decisively on 3 September 1991. He called for the declaration of a state of emergency in the republic, but to no avail. Moscow refused to sanction the use of force to resolve the standoff. On 6 September, opposition forces stormed the building of the Supreme Soviet and obtained Zavgayev's resignation from public office. Within the span of several months, the CChP had gone from an irrelevant radical opposition movement with a pipedream strategy based on a romantic vision of full independence for Chechnya to the new source of political authority in the republic.

Relations with Moscow

Moscow's reaction to the events in Grozny was swift. Several delegations of high level federal administrators were sent to Chechnya to stabilise the situation. These federal functionaries included the State Secretary of the Russian Soviet Federal Republic, G.S. Burbulis, representative of the Supreme Soviet of the Russian Soviet Federal Socialist Republic, R. Khasbulatov, and later on the Vice President of the Russian Soviet Federal Socialist Republic, A. Rutskoi. Burbulis's negotiating team was charged with settling the differences between the CChP and the now defunct Zavgayev administration, without much success.[240] Khasbulatov on arrival to Grozny oversaw the final meeting of the Zavgayev executive which witnessed the acceptance of Zavgayev's resignation from power and the setting of a date for new parliamentary and presidential elections, 17 November 1991.

In the period before the elections, power in the republic would be wielded by a temporary executive, the Provisional Supreme Soviet, made up of 32 seats with candidates sanctioned by the CChP. Having hammered out a temporary solution to the crisis, Khasbulatov as representative of the Russian Soviet Federal Socialist Republic gave his public support to the resignation of Zavgayev, but warned Dudayev privately that further competition for power in the republic would have to be played by the newly agreed rules of the game. Dudayev and his supporters in the executive committee of the CChP did not heed Khasbulatov's advice. Instead, nationalist forces continued to hamper the day-to-day running of the state, blockading state offices, engaging in actions reminiscent of a general strike, and turned the Provisional Supreme Soviet into a mechanism to legitimise and consolidate the nationalists' hold on power.

A brief analysis of the post-coup situation produces a very interesting point, namely, that competition for authority and power in Chechnya had shifted from being a purely localised struggle amongst regional elites to one in which the new domestic leadership was now confronting the

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republican communist party came out in favour of the coup. Interestingly enough the republican administration did carry out the orders emanating from the country's new leadership.

[240] At one point in the negotiations between the two sides a proposal was made by the then Minister for the Press and Information, M. Poltoranin, in which it was suggested that Dudayev should be promoted in rank to General Lieutenant of the Soviet Army and posted to Moscow. See Gakayev (1999), p. 1

interests and priorities of Moscow without interlocutors. Thus the stakes that both elite groups were competing for had just been significantly increased. Chechnya's intransigent stance on independence threatened not only the territorial cohesion of the Russian Soviet Federal Socialist Republic, but that of the USSR as well. With other constituent units on the verge of following Chechnya's path,[241] Moscow's leadership, both the Russian Federation and the USSR, was left with very few options to maintain their control over the whole of the country.

Internal sectional fighting broke out amongst the members of the provisional Supreme Soviet on how to legitimise their positions legally before the elections. While the Soviet was deliberating, the Ingush issue that had been simmering all summer finally came to a climax in October. The Ingush nationalists put forward a resolution to split from the Chechno-Ingush Republic and form the Ingush Autonomous Republic within the Russian Soviet Federal Socialist Republic. The declaration was supported by the radical nationalists on the Provisional Supreme Soviet. This decision only served to divide the Chechen factions in the executive further apart. The ideological split amongst the members of the Soviet led to a further irreparable split in the Chechen elite. Members of the Soviet were arrested; at the same time Dudayev's supporters also made a move to secure a cache of weapons stored at the local offices of the KGB. At that moment, the executive committee ceased to be a constitutional opposition and seized power from what remained of the provisional executive.

This time the Vice President of the Russian Soviet Federal Socialist Republic, A. Rutskoi, was sent to deal with the political chaos and power vacuum on the ground in Grozny. Rutskoi walked away from the negotiations with Dudayev with familiar promises from the CChP that the organisation would not usurp power from legitimate bodies of republican authority. Elections would therefore go ahead as planned on 17 November. Those elections would never take place. Instead, Dudayev's supporters seized the offices of the Provisional Supreme Soviet, outlawed the legislature declared themselves in control of the territory and called for presidential and parliamentary elections at the end of October 1991.[242]

The Russian government under Yeltsin declared the most recent actions of the CChP to be illegal and reaffirmed that the only legitimate source of political authority in the Chechen Republic was the now disbanded Provisional Supreme Soviet. In response, the Chechen leadership mobilised the male population of the republic, recalled Chechens serving in the Soviet Army, and called for Gazawat (war against the unfaithful). Although the actions undertaken and demands made by the new regime seemed to be preposterous in light of its institutional instability, the quality of its leadership and the resources it had at its disposal, the government of the Russian Republic took events in Grozny quite seriously.

The Yeltsin government called for the several steps to be taken in Grozny in order to stabilise the situation in the republic and normalise relations between Moscow and the Chechen administration including the return to power of the Provisional Soviet,[243] the return of state property seized during the coup, and the disbanding of armed formations in the Chechen capital.[244]

None of the above conditions were discharged by Dudayev and the executive committee of the CChP. Elections were held according to Dudayev's plan on 27 October. One could hardly assess those elections as free and fair. Prior to the vote, the election committee was loaded with supporters of Dudayev from the CChP. The media, which had been under nationalist control since the summer,

[241] Tatarstan and Sakha (Yakutia) were some regions that have been identified as possible candidates for secession from the Russian Federation in the early 1990s.
[242] Gakayev (1999), p. 3
[243] The order called for the disbanding of all unofficial and illegal armed groups in Grozny and reasserted that the only legitimate source of political authority in the republic was the provisional executive.
[244] Gakayev (1999), p. 3

were filling the press with pro-Dudayev pronouncements. Candidates that were going to run for president against Dudayev dropped out of the competition. Despite all the irregularities, the elections were deemed a success by the electoral commission. For what it was worth, members of the dissolved provisional government as well as the remnants of the liberal political factions came out in opposition to the elections. Despite the dubious nature of the circumstances under which elections took place, Dudayev was named president of the republic.

In response, the Russian leadership sought support from Gorbachev and his allies in the power ministries still under his control in an attempt to reverse the course of events in Chechnya. Gorbachev did not acquiesce to Yeltsin's request, referring to the latter's own intransigence concerning Gorbachev's actions in the Baltic Republics earlier in the year. Yeltsin's administration, without Union support, declared a state of emergency in the region on 7 November 1991. Dudayev's reaction was predictable in terms of the nationalist strategy that had been employed so far by the executive committee of the CChP, but at that time it shifted the discourse between Russian and Chechnya from one of institutional and constitutional concerns to one of threat, military security and the use of violence to defend national interests on both sides of the divide.

The Pathology of the Dudayev Regime

When analysing the type of regime built by Dudayev and his supporters during their time in power from 1991 to 1996, several important factors must be discussed. First, the region's prevailing political, economic and social conditions must be taken into consideration. It is this environment in which elites formulate their strategies and policy responses to fulfil their perceived priorities of maximising their political power and economic wealth. Secondly, the implementation of the elite strategy itself must be examined to determine the third and final point, the degree of suitability of the elite's strategy to deal successfully with the conditions at hand. The degree of strategic suitability determines whether or not the new regime can legitimise and consolidate its powerbase within society and then continue to propagate policies suitable to its own preferences and prolong the administration's time in office.

Like many of its contemporaries in the Russian Federation's constituent units at the time of the collapse of the USSR, the Chechen government that replaced the Moscow-supported Zavgayev administration was itself defined by contradictions. The newly formed, CChP-supported Dudayev elite came to power on a wave of public desire for an utter and final break with the Soviet and Russian institutional past. Yet in order to fulfil the stated preferences of the aggrieved populations of the former Soviet Union, regional elites were bequeathed the institutions and mechanisms from the fallen Soviet state. It was a highly ironic situation: in order to build a new democratic polity for which the public clamoured, the new regional elites were forced to use the methods, institutions and logic left over by the now politically defunct communist party. The question remained to be answered, were they the right tools for the job?

Despite the natural resource wealth on the territory of the republic, the Chechen population suffered high levels of unemployment, and if they could find work, the wages were very low according to union-wide standards.[245] To make matters worse, the republic's communist party elite, the nomenklatura, skimmed economic rent from the top of the republic's proceeds, thus compounding

[245] According to Abubakarov, in the Chechen countryside unemployment rates reached 75 percent while 40 percent of the republic's labour force was forced to search for work outside the republic itself. The result of temporary labour migration was that the indigenous population of the republic was excluded from the benefits of the domestic economy. See Taimaz Abubakarov, "Between Authoritarianism and Anarchy: The Political Dilemmas of President Dudayev" in *Chechnya and Russia: Society and the State* (Moscow: Sakharov Centre, 1999), p.3 available at<http://www.sakharov-center.ru/chs/chrus09_1.htm> accessed on 10.10.2007.

the already difficult social and economic conditions in the republic through continuing corruption of the bureaucratic functions of government.[246]

Economically, the republic was in dire straits. To all intents and purposes, Chechnya's resources, particularly its oil and gas, were earmarked for the Soviet economy while the benefits rested with the economic elite of the republic. Ordinary Chechens were excluded from economic life and lacked access to the economic resources to better their social and economic livelihoods. Politically, the institutions that oversaw the administration of Chechen society were corrupt. The region's leadership under Zavgayev lacked the desire and political know-how to address the region's economic ills, social imbalances and political incompetence. The conditions were ripe for change. Chechen society was ready for a new approach to solving the region's pressing problems.

Into the political vacuum caused by the August coup stepped the CChP. The Congress, seizing upon the popular discontent in society that had been locked up for hundreds of years, proposed a national populist government headed by former Air Force General Djokar Dudayev to take charge of the region's future. The inner workings of the Dudayev administration that assumed control over the republic after the aborted coup in Moscow in August 1991 were based upon a complex combination of political populism, economic renewal, social justice and an enormous sense of historic purpose. The main catalyst and visionary behind the new government's platform was arguably Dudayev himself. For many Chechens, the former general embodied the suitable mix of social and national values, the necessary political guile, and economic knowledge to set the Chechen population on the road to independence from the newly formed Russian state.[247]

Dudayev, judging from some of his statements, was convinced of the existence of an epic opportunity to set right the historic injustices visited upon the Chechen people by the Russians. He was also very sanguine when it came to the new government's ability to fulfil its historic role in rescuing the Chechen nation from years of economic and political marginalisation. [248]

Despite the leadership's confidence in their own ability to right the long-standing economic social and political abuses experienced by the Chechens, one glaring factor is repeated constantly in the analysis of Dudayev's leadership style and chosen strategy to take Chechnya forward in its political economic and social development: Dudayev's political vision and his subsequent strategy were devoid of legal and political sophistication. To put it plainly, the factor that mattered most to Dudayev and his supporters was first and foremost obtaining independence for the republic from Russia, not the method by which this objective was achieved. [249]

The organisation of administrative power within the republic was also dealt with in a crude manner. Basic, level-I, legal and institutional mechanisms such as defining the source of policy making and implementation were left to chance. Further down the institutional chain, the parliament, political parties and the fostering of an opposition were seen as anomalies, their existence a threat to Chechen political and social unity. In the Dudayev system, political power emanated from one fount: that of the position of the president of the Chechen Republic who was the embodiment of the nationalist ideal and also possessed the institutional vision best suited to the needs of Chechen society.

Dudayev's particular organisation of administrative power left him with few options in terms of legitimising his commanding position within the new government. He distrusted the former parliament and sought to oust the representative body as soon as the opportunity would present

[246] ibid., p. 2
[247] ibid., p.1
[248] ibid., p. 5
[249] ibid., p. 6

itself. Without a viable set of representative institutions such as a parliament to provide allies deriving political legitimacy by abrogating the interests of their own constituencies in governmental policies, the success or failure of Dudayev's strategy depended to large extent on the personalities in his own entourage. [250]

The problem with relying on a small group of individuals to formulate policy for the country in the absence of a viable institutional structure was obvious: public policy espoused by an individual could become part of a personal political agenda that might not coincide with the interests of the state. [251] Public policy then became a manifestation of personal political rivalries that have the potential to halt the inner workings of the state and bring the legislative and policy implementation process to an end. [252]

The result of the personalisation of executive power during the Dudayev administration was institutional catharsis.[253] The political deadlock that developed between factions in the Dudayev entourage provided an opportunity not only for the domestic opposition, but for Moscow as well to influence the ongoing saga in Grozny. With the backing of the Kremlin, the Chechen opposition to Dudayev mobilised its support and gathered for demonstrations in the capital city. Prior to the demonstrations, political agitators set about spreading the word concerning Dudayev's political incompetence. Pamphlets and handouts were prepared and distributed to the population. As a result, popular dissatisfaction with Dudayev increased, resulting in calls for the president's impeachment. Dudayev attempted to quell the crisis by disbanding the institutions that had become countervailing sources of political power in the republic, the parliament, the city council and the council of ministers, and called for new elections to the now vacated posts. In response to Dudayev's move to install rule by presidential decree, the opposition's reactions escalated by reverting to the use of violence to get their point across to the presidential administration.

The result of the introduction of violent force as the solution to the political deadlock between the rival factions was tragic. The opposition protestors that had gathered on Theatre Square in Grozny were attacked by republican forces loyal to the president on the 4 and 5 June 1993. From that point forward, Dudayev's major strategy was to gather as much power over the decision making process in the republic as possible. In the rush to consolidate his personal hold over the state's administrative organs to marginalise his rivals within the republic, major issues such as the institutional structure of the state as well as striking a balance between the coercive powers of the state and empowering the populace in the political process were left unaddressed. However, despite the very public struggle with the opposition, Dudayev's support among the public remained high[254].

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[250] ibid., p. 1

[251] Two weeks after winning the presidential elections in the Republic, Dudayev replaced the former soviet council with this new committee staffed by his closest supporters. In all practicality, Dudayev removed from power the last vestiges of the soviet regime from the decision-making process while creating a body of advisors that would further support and legitimise his position as president of the Chechen republic. This body was later replaced by a permanent cabinet of ministers on 1 March 1992. Dudayev headed the cabinet and Mamodayev was named Vice-Premier. As Vice Premier, Mamodayev was responsible for oversight on all legislative acts passed through the council. Mamodayev's time in that position did not last long. Dudayev had a rethink and name the minister for economics and finances to Mamodayev's former post as a demonstration of the president's personal power over his supporters. See Abubakarov (1999), p. 2

[252] The struggle got to the point that Mamodayev broke every norm and administrative decorum by naming ministers and even advisors to the Prime Minister, who was, as every one knew, Dudayev himself. The response of the President came without delay – Mamodayev's transgressions, of which there were many, were judged to be illegal. Then Mamodayev changed tactics: the new plan was to block the prime minister and form a parallel government on the basis of the exorbitant and illicit spread of structures and administrative power of the cabinet of ministers, under the control of Mamodayev himself. Ibid., p. 2

[253] ibid., p 2

[254] ibid., p 4

Consequently, the lack of demand for a state-building project on the part of the public left the elite without an impetus to change its consolidation strategy. Islam was a non factor in Dudayev's political calculus. Although he acknowledged that Islam was a crucial aspect that defined the Chechen identity, Dudayev came out against using the Koran as the organiser of the republic's political institutions and social life.[255] Political instability fed economic malaise and *vice-versa*. Being unable to find solutions to the fundamental issues of the organisation and control of political power within his administration and state structures, Dudayev was unable to aggregate elite interests and formulate any significant tangible economic policies. The issue of independence effectively defined the regime's *raison d'être* and failure to secure independence from the federal centre would ensure the downfall of the Dudayev regime. In this way, Dudayev became the prisoner of his own ideology. Without a diversified set of interests to sponsor, Dudayev's regime became staffed by those individuals that paid lip service to the regime's revolutionary rhetoric while instinctively exploiting the institutional weaknesses to forward their own political agendas. [256]

Dudayev understood that political power must not be conceptual, but must exist in tangible forms. However, like many of his contemporaries in his entourage as well as in the opposition, he lacked the competency to take the abstract notion of independence and translate the momentum achieved through the national salvation project into political consensus among the elite. In such an institutional free environment, policy formation was dominated by personal political struggles and therefore did not contribute to tangible state-building projects and economic reform. Dudayev's national romanticism was the driving impetus behind his striving for political power. It was his romantic national idealism that led him to make promises to the public concerning a better future for all Chechens while allowing him to justify the concentration of the republic's political power in his own hands. Arguably, it was his inability to formulate a strategy outside the independence framework that led Chechnya to military confrontation with Moscow.[257]

Maskhadov in Power: The Fourth stage of the Chechen Conflict

In his analysis of Chechen – Russian relations in the 1990s, Emil Pain distinguishes four periods in which it is possible to differentiate between the fluctuating interests of the Chechen elite and the level of influence and power the Moscow centre possessed in dealing with the Chechen Republic in all its institutional guises.[258]

The first stage from August to November 1991 is witness to the zenith of social unrest in Chechno-Ingushetia culminating in the removal of the Zavgayev government and its replacement with the Dudayev administration backed by the CChP. According to Pain, Moscow saw an advantage in having Dudayev in control of the republic instead of Zavgayev. Dudayev's hold on power, it was assumed by the Kremlin, was weak because of his inability to access the bureaucratic nomenklatura resources that Zavgayev had under his own control. Without the support of the soviet bureaucracy in the republic, it would be impossible for Dudayev to implement any of the CChP political strategies and economic reforms. His strategic limitations would make Dudayev much more reliant on Moscow than his radical nationalist rhetoric would reveal.

The second stage of the Chechen crisis took place from December 1991 to November 1994. Due to the inability of the Dudayev regime to align its allies within the republic to consolidate the new

[255] ibid., p. 6
[256] ibid., p. 5
[257] ibid., p. 7
[258] Pain, Emil first published in Mezhdunarodnaya Zhizn, 2 October 1998 reprinted on the Internet as "Chapter I" *Chechen Chronicles 1998* pp 1-4 available at <http://www.globalsecurity.org/military/library/news/2000/01/chechen98/242.htm> accessed on 10.10.2007.

regime's authority, Moscow adopted a patient strategy to wait Dudayev and his supporters out. However, the wait and see strategy adopted by the Kremlin backfired. While in isolation from the rest of the federation, Chechnya's economy weakened, leading to a sharp rise in criminality in the republic and profiteering in on the part of groups in Moscow.[259]

The third stage took place between November 1994 and August 1996. The Russian elite, tiring of the increased instability in the region, opted for a military solution to the Chechen crisis. However, instead of obtaining the victory that the General Staff had so confidently predicted, the First Chechen war exhausted the resources of the Russian military, the Kremlin's budget and Russian society's patience with the Yeltsin government. The fourth stage that Pain refers to is the subject of next part of the case study: the cessation of military operations in Chechnya with the signing of the Khasayurt Accords in August 1996,[260] the presidency of Aslan Maskhadov[261] and the start of the second Chechen War in 1999.

Again, Russia had opted for an open-ended strategy[262] to the crisis in which the bulk of the benefits were received by the Chechen side at the expense of the political legitimacy and authority of the federal centre. For instance, by recognising Maskhadov as president of the Chechen Republic, Moscow painted itself into a corner in terms of the final resolution of the conflict. Maskhadov's position in terms of Chechnya's status in the Russian Federation echoed that of Dudayev: unconditional independence. While *de facto* independent from Russia, the Maskhadov regime still received economic benefits in the form of budgetary transfers from federal to republican coffers to support the reconstruction of the Chechen infrastructure and economy without having to fulfil any reciprocal obligations to the federation. Finally, if the Khassayurt Accords[263] were meant as a mechanism to stabilise the situation in the Republic, they only served to reinforce economic criminality, the lack of political consensus amongst the indigenous leadership and overall social malaise in Chechnya until the next conflict in 1999.

It goes without saying that the Chechnya inherited by Maskhadov after the 1994-1996 war was an economic shambles. Despite the daunting task of reconstruction, post-war Chechnya had many factors in its favour that could have led to the republic's transition to a stable polity. First, as pointed out earlier, Moscow would both economically and politically support the independent republic unconditionally.[264] Second, if prior to the start of military hostilities in 1994 Chechen society was united in its desire for a new future, unfettered by Russian institutional interference, the

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[259] ibid., p1

[260] The Khassayurt Accords were signed on August 26th 1996 by Alexander Lebed, Secretary of the Russian Security Council and Aslan Maskhadov, chief of staff of Chechen military forces, saw the withdrawal of Russian troops from Chechnya, recognised *de-facto* independence of the Republic of Chechnya, and ended the first Chechen conflict. See Charles Blandy, "Chechen Status: Wide Differences Remain" (Conflict Studies Research Centre, 1998), p. 6 available at <http://www.globalsecurity.org/military/library/report/1998/ChechenStatusWideDifferencesRemain.htm> accessed on 10.10.2007.

[261] Aslan Maskhadov succeeded the second president of the Republic Z. Yanderbiyev (formerly of the VDP and close supporter of General Dudayev) as head of the Chechen Republic and was a former Colonel in the Soviet Army. During the first Chechen War Maskhadov served as chief of staff of the Chechen armed forces. In 1996, he became prime minister of Chechnya and then was elected president in January 1997.

[262] ibid., p 3

[263] See note 66

[264] Personal discussions between Maskhadov and the Prime Minister Kiriyenko in 1998 centred upon Russia's support for Chechnya becoming an economic free zone. However, the relevance of the free zone concept was undermined by Chechnya's existing independence from the Russian economic zone, the lack of political will and economic funds to support the overall reconstruction of the country and the unsuitability of a Russian financed project from the Chechen nationalist independence movement perspective. See M. Vinogradov ,"Chechnya to become a Free Zone" in Russkaya Mysl (August 6, 1998) in Chapter V of the *Chechen Chronicles 1998* (Russian Information Centre, 1998), p. 1 available at <http://www.globalsecurity.org/military/library/news/2000/01/chechen98/283.htm>accessed on 10.10.2007.

war had only served to unite the Chechen people further in obtaining this goal. Finally, outside the institutional grasp of the Kremlin, Chechnya had the opportunity to gain direct access to economic resources from international actors, a chance that prior to 1991 was not available to the republican elite.[265] Still, even without Russian interference, direct unconditional economic support and access to international sources of support and investment, Chechnya's elite were unable to translate these positive factors into a tangible strategy for state-building.

The former ills that had haunted Chechnya since the days of perestroika did not dissolve after the end of military operations in the republic. The post-Dudayev elite were as fractionalised as ever. Whatever conditions that could have served as a basis for political parties that had existed before the war dissipated. Political, economic and social interests were now organised around the preferences of individuals[266] that had made up the command structure for the Chechen resistance against the Russian military. Having little or no political leadership experience outside the command over their soldiers, it can be argued that these men lacked the particular skills necessary to rebuild the shattered republic of Chechnya. In place of assembling political consensus in order to form a stable administrative ruling structure, the military commanders sought to undermine what authority Maskhadov did garner in the republic and maximise their own short term economic and political benefits at the expense of Chechen society as a whole. [267] As in the case of Dudayev, the domestic struggle for power decreased Maskhadov's own ability to extract further concessions from the federal centre and finalise the independent status of Chechnya.

Maskhadov's reign could be conceptualised in the following manner: his domestic support, manifested in his winning of the 1997 presidential election, was derived from his actions as chief of staff in the Chechen war and his continuing of Dudayev's nationalist independence platform. In the eyes of Moscow Maskhadov was the least of all evils in comparison with the other military commanders, whose exploits during the war included hostage taking in the Russian Federation as well as established links to radical Islamic organisations from which they received both financial and military support. Maskhadov's main strategy to obtain the goal of independence coincided very well with Moscow's preferred exit strategy following on from the principles outlined in the 1996 Khassayurt Accords (see above).

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[265] According to an ITAR-TASS report, the purpose behind Maskhadov's trips to the UK, The USA and Turkey in 1998 was to drum up foreign sources of investment. This makes sense in light of Moscow's reluctance to provide finance for the republic's re-construction. Reportedly, Maskhadov was seeking approximately 30 billion USD while in Washington DC alone. The answer from the US was clear, in the administration's eyes, Maskhadov was one of many regional leaders in the Russian Federation and therefore did not warrant any special treatment. Maskhadov understood quite clearly that no country would be willing to risk the wrath of Moscow to invest significantly in a war torn territory run by an unstable regime. See "Chapter VI" in *Chechen Chronicles 1998* (Russian Information Centre, 1998), p. 1 available at <http://www.globalsecurity.org/military/library/news/2000/01/chechen98/301.htm > accessed on 10.10.2007.

[266] According to Wilhelmsen despite garnering 60percent of the vote in the 1997 presidential elections, Maskhadov's opposition possessed more military resources at their disposal that could be translated into political influence if need be. Maskhadov's power in the republic did not extend far outside the capital city of Grozny. Beyond the pale, military commanders such as S.Basayev (Vedeno and Shali regions), S. Raduyev (1,000-5000 troops Gudermes), R. Galayev (Shatoy and Achhoy Martan) and A. Barbayev (Urus Martan) divided the countryside up into personal fiefdoms. See Julie Wilhelmsen, *When Separatists become Islamist: The Case of Chechnya* FFI Rapport-2004-2005 (Oslo: Norwegian Institute of International Affairs, 2004), p. 46 available at www.nupi.no/IPS/filestore/00445.pdf accessed on 10.10.2007.

[267] Prof. Dzhabrial Gakayev noted in an interview with Pravda Rossii that, "Maskhadov had failed to consolidate the Chechen nation, overcome the social rift, become the leader of all Chechens, create an effective system of power, curtail crime or ensure the fundamental rights and freedoms of individuals. Chechnya has become a safe haven for criminals from all over the CIS and a base for international terrorists, where civilians are terrorised by armed bandits. The Maskhadov regime has become a victim of its own creation." See "Aslan Maskhadov's Two Years as President" in *The Chechen Chronicles 1999* (Russian Information Centre, 1999), p. 1 available at <http://www.globalsecurity.org/military/library/news/2000/01/chechen/180.htm> accessed on 10.10.2007.

The main losers in this scenario were the commanders themselves. Robbed of any increase in political status after the war, the military commanders were reduced to running territories divorced from the increased benefits that could be accrued from the political bargaining between Grozny and Moscow.[268] Although separated by their desire for maximising their own political power, the field commanders were united on one front: Maskhadov was an impediment to their individual plans both in the republic and abroad.[269] During Maskhadov's rule, the commanders pursued a policy of building political opposition to the president in their own constituencies by employing their military resources and translating them into sources of political pressure on the administration.[270] The most radical commanders distinguished themselves from Grozny by adopting radical Islam as the symbol of their political preferences.[271] Under the guise of radical or Whahabi Islam the commanders formed an alternative locus of political interests in the republic and it directly challenged the authority and viability of Maskhadov's presidency.[272] While preaching the superior moral tenets of pure Islam, the commanders supported criminal enterprises: hostage taking[273], the siphoning off of

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[268] See Julie Wilhelmsen, *When Separatists become Islamist: The Case of Chechnya* FFI Rapport-2004-2005 (Oslo: Norwegian Institute of International Affairs, 2004), p. 46 available at www.nupi.no/IPS/filestore/00445.pdf accessed on 10.10.2007.

[269] For instance, commanders like Basayev and Raduyev pursued a strategy of territorial expansion to include the neighbouring Republic of Dagestan with Chechnya in a united Islamic state. Some authors such as Wilhelmsen, Gakayev and Ware see the influence of International actors in contributing to this strategy of spreading the war to other regions in the Russian Federation. The main individual pointed out as the source for planning and funding the expansion of the war in the name of radical Islam was the Saudi born Habib Abd al-Rahman, or Khattab. With his access to international sources of funding, Khattab was able to co-opt the radical field commanders into his plans for the creation of an Islamic state in the Caucasus. See Julie Wilhelmsen, *When Separatists become Islamist: The Case of Chechnya* FFI Rapport-2004-2005 (Oslo: Norwegian Institute of International Affairs, 2004), p. 46 available at <www.nupi.no/IPS/filestore/00445.pdf accessed on 10.10.2007>; Dzhabril Gakayev, "Chechnya in Russian and Russian in Chechnya" in Richard Sakwa (ed.), *Chechnya from Past to Future* (London: Anthem Press, 2005) and Robert Bruce Ware, "A Multitude of Evils: Mythology and Political Failure in Chechnya" in Richard Sakwa (ed.),*Chechnya from Past to Future* (London: Anthem Press, 2005).

[270] An armed uprising in the town of Urus Martan symbolises the inability of the Maskhadov administration to deal with the armed opposition in an effective manner. In an effort to reign in the radical field commanders that had plagued his administration, the coordinator for the republic's security ministries, Turpan Atgeriev was sent to investigate conditions in the town. Supporters and troops loyal to Basayev, Barayev and other commanders skirmished with government troops resulting in a no win situation for the president. After the incident, Maskhadov had to admit that, "the opposition to the government ensconced in Urus Martan was well structured and had its own system of courts and enforcement units." See "The President and Opposition in January Standoff" in *The Chechen Chronicles 1999* (Russian Information Centre, 1999), p. 1 available at < http://www.globalsecurity.org/military/library/news/2000/01/chechen/181.htm > accessed on 10.10.2007.

[271] Julie Wilhelmsen, *When Separatists become Islamist: The Case of Chechnya* FFI Rapport-2004-2005 (Oslo: Norwegian Institute of International Affairs, 2004), pp. 24-27 available at <www.nupi.no/IPS/filestore/00445.pdf accessed on 10.10.2007> accessed on 10.10.2007.

[272] Both the steeling of oil and hostage taking served too sap the republic's administration of its two most crucial resources: budgetary funds and political legitimacy. During the first Chechen war the section of the Baku-Novorossiisk pipeline that transited Chechen territory was frequently attacked by rebels and its oil siphoned off to provide proceeds to support the resistance. As a result, the Russian administration in 2000 constructed an alternative route through more secure Russian territory. See Roman Kupchinsky, "Chechnya: Stolen Oil and Purchased Guns", RFE/RL (25 October 2005) available at <http://www.rferl.org/features/features_Article.aspx?m=10andy=2005andid=1B2DFA96-5507-4D46-B3D9-E828C6CE5BB9>. The most infamous kidnapping incident involved the abduction of three British citizens and one New Zealander in October 1998. The four men were Granger Telecom employees sent to Chechnya to install satellite telephone services in the republic. Two months later, their bodies were found close to the Chechen border with Russia. Public outrage in the republic was high, but the incident called into question the ability of the republic's law enforcement organs to rein in the warlords that effectively operated outside the political control of Grozny. See the BBC News Online at <http://news.bbc.co.uk/2/low/europe/230215.stm> accessed on 10.10.2007and Miriam Landskoy "Chechnya's Internal Fragmentation, 1996-1999" in *The Fletcher Forum of World Affairs* Vol.27 No. 2 (Summer/Fall 2003), p. 196.

[273] According to Gakayev, the hostage trade that mostly dealt in Chechen citizens was conducted publicly. From 1996-1999 approximately 3,500 Chechens were abducted by bandits in the republic. See Dzhabril Gakayev, "Chechnya in Russian and Russian in Chechnya" in Richard Sakwa (ed.), *Chechnya from Past to Future* (London: Anthem Press, 2005), p. 32.

oil from the republic's wells and the Russian Federation's regional and international pipelines,[274] assassination of the administration's personnel,[275] as well as efforts at military incursions and attacks in the neighbouring territories of the Russian Federation itself.[276]

Maskhadov's counter move to the military commanders attempted to co-opt both the political support and economic resources of Moscow and the radical nationalist Islamic rhetoric of the commanders in order to bolster the president's own power base. Key to the success of such a plan would be Chechnya's ability to resurrect the domestic oil industry and take advantage of the export concessions that Zavgayev won in the early 1990s. Oil would provide the revenue for Chechnya's restructuring, but only with Moscow's help. Politically, the issue of final status for the republic (formal independence) could be used to maintain the president's popularity with his supporters at home, marginalise the opposition's more radical position and keep Moscow at arms length if negotiations with the Kremlin in other areas were to become problematic. Maskhadov showed his cards early on in his presidency when he appointed opposition figures to his government, including warlord Shamil Basayev as prime minister of the republic[277].

In spite of the president's planning, the strategy was doomed to fail for he had overestimated the willingness of the field commanders and Moscow itself to play along with his own regime consolidation calculus. Moscow reneged on its promise of economic assistance. The military commanders increased their anti-government rhetoric and continued to follow their dubious activities while holding the prime positions of authority in the republican administration. The more Maskhadov came under pressure from the opposition, the more he would call for the establishment of law and order in the republic. Behind the scenes he would make political and economic concessions to the warlords who were responsible for the chaos in the republic in the first place. Pushed to the limit, Maskhadov was forced to abandon his own strategy and adopt the nationalist Islamic position of his domestic foes to save his republican powerbase. However, by the time he declared Shari'a law as the basis for adjudicating legal matters in the republic, in 1998, it was already too late.[278] The radical opposition could now claim that the president's former policies were

[274] The oil that was supposed to provide a windfall for the Chechen budget came from new wells in the Caspian Sea basin. However, even after the transit fees had been agreed upon by Grozny and Moscow, the oil that should have be flowing through Chechnya's stretch of the Baku-Novorossiisk pipeline did not materialise. See Floriana Fossato, "Russia: Chechnya and Turkmenistan Stake Claims to Transit Gas" RFE/RL 20 January 1998 available at <http://www.rferl.org/features/1998/01/f.ru.980120141658.asp>accessed on 10.10.2007.

[275] This campaign included an attempt on the life of President Maskhadov himself in the summer of 1998. Prior to the failed assassination, Maskhadov had initiated an attempt to control one of the more outspoken opponents, S. Raduyev who was suspected of plotting a coup against the presidential administration. See Charles. W. Blandy, "Chechnya: A Beleaguered President", No: OB 61 (Conflict Studies Research Centre, August 1998) pp 1-11 available at <http://www.globalsecurity.org/military/library/report/1998/ob61.htm> accessed on 10.10.2007.

[276] Already in July 1999, Russian authorities were wary of Chechen military operations beyond the territory of the Chechen republic. Forces under the control of S. Basayev and S Raduyev would eventually invade the neighbouring territory of Dagestan that year. See "Growing Tensions on the Administrative Border of Chechnya: Reaction of Federal Authorities" in *The Chechen Chronicles 1999* (Russian Information Centre, 1999), p. available at <http://www.globalsecurity.org/military/library/news/2000/01/chechen/185.htm> accessed on 10.10.2007.

[277] In the beginning of 1998, Maskhadov reshuffled his government and named warlord S. Basayev to the post of the republic's prime minister, a position previously held by Maskhadov himself. Basayev was allowed to form the new government. One of the new members of the cabinet was basayev's brother Shirvani. Without prior experience, Shirvani was named the republic's oil minister and in that capacity was responsible for the negotiations between Grozny and Moscow over control of the republic's hydrocarbon resources. See Florina Fossato, "Russia: Chechnya and Turkmenistan Stake Claims to Transit Gas" RFE/RL 20 January 1998 available at <http://www.rferl.org/features/1998/01/f.ru.980120141658.asp> accessed on 10.10.2007.

[278] The move that was designed again to placate both Maskhadov's opponents and not marginalise his support base was unsuccessful. On the one hand, the radical field commanders saw the Maskhadov move towards a secular Islamic state as a watered down compromise. On the other hand, experts debated the long term viability of such a system of government. "Everyone calls for the immediate introduction of the Shari'a, but no one can explain reasonably well what it is. Just one week of the speedy transition to the Shari'a left Chechnya without a constitution, parliament, Higher Shari'a Court and a vice president. The legitimacy of president Maskhadov and Supreme Shari'a court have been

faulty and his judgement impaired as evidenced by his shift towards the radicals. Moscow saw Maskhadov's increasing weakness in handling the military commanders as a sign of weak leadership. The Kremlin's elite no longer saw Maskhadov as being able to guarantee the stability of the Chechen regime and therefore an unreliable partner in the status-negotiating process.[279] In his pursuit of consolidating power between two radical positions, Maskhadov ultimately was unable to bring all the working parts together to make the strategy successful. As a result, the politically rational, yet weak moderate administration collapsed leaving the political landscape dominated once again by diametrically opposed, irreconcilable foes: Chechen radical nationalists and Moscow's federal elite.

The Continuing Competition over Resources: Chechnya's Oil Industry

Lost under the thick cover of the evocative public discourse concerning the ethnic and human rights aspects of the two Chechen wars is the condition of the territory's economic sector. Thrown into institutional and financial limbo during perestroika, utterly stripped bare by the Dudayev regime, the republic's industrial and agricultural firms as well as infrastructure were reduced to rubble by military operations against federal forces from 1994 to 1997 and again from 1999 to 2000.

Although seen as an opportunity to reconstruct the Chechen economy according to the prerogatives of the independent Maskhadov government, the interwar period from 1996 to 1999 witnessed debilitating factionalism amongst the region's indigenous elite groupings culminating in an intense struggle to control the country's remaining shadow economy assets. The reconstruction of Chechnya's mismanaged and war-torn economic base is the subject of continuing debate and contention between the region's leadership and Moscow. Far from resolving the federal division of labour between Chechnya and the Russian federal government, the previous Chechen conflicts have delayed, seemingly indefinitely, the painful, yet crucial finalisation of the republic's financial, economic and legal status within the Russian federal framework. The purpose of this section is to follow the fate of Chechnya's most crucial and much fought over economic sector: the oil industry. It is hoped that by historically analyzing the Chechen oil industry's development over the past hundred years some scientific insight into domestic as well as federal elite competition over economic resources may be gained within the context of the two Chechen wars as well as the republic's present reconstruction.

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questioned. That's about all they have achieved." Krasnov, A. originally published in Kommersant Vlast (16.02.99) cited in 'Chechnya Announces Transition to Islamic Statehood. What's Next?" in *The Chechen Chronicles 1999* (Russian Information Centre, 1999), p. 2 available at <http://www.globalsecurity.org/military/library/news/2000/01/chechen/index.html> accessed on 10.10.2007.

[279] In early 1999 the kidnapping of General Shipgun, envoy of the Russian Ministry of Interior to Chechnya, led to a major crisis between Moscow and Grozny. It was already evident that a campaign to discredit Maskhadov in the eyes of Moscow was undertaken by his domestic opponents. The strategy seemed to be working. According to the then Prime Minister of the Russian Federation, Yevgeni Primakov, no immediate harsh actions would be taken, but a *cordon-sanitaire* would be established around Chechnya which in effect resulted in a partial economic blockade of the republic. At the time, there had been talk of a summit meeting between Primakov and Maskhadov, but before the sides were to meet, Moscow insisted the republic's internal stability would have to be dealt with by Maskhadov. See "The Abduction of General Shipgun. Moscow-Grozny Relations" in *The Chechen Chronicles 1999* (Russian Information Centre, 1999), p. 2 available at <http://www.globalsecurity.org/military/library/news/2000/01/chechen/index.html> accessed on 10.10.2007.

Grozny: The Second Jewel in the Crown[280]

Before the intense competition over the Middle East's petrochemical resources started in earnest in the early twentieth century, the predecessors to the contemporary International Oil Companies (IOCs) were falling over themselves to obtain a percentage of the rights to drill for and refine the oil resources of the North Caucasus':[281]

The two centres that drew the most attention[282] in the mountainous region within Russia's southern border were Baku in Azerbaijan and Grozny.[283] According to some sources, firms with access to English capital were very active in the Grozny region.[284] Their direct investment translated into 72 percent ownership of the known oil fields and control over 62 percent of the existing wells.[285] Companies including Anglo Russian Maximovskiy Inc., North Caucasus Inc., Chelenko-Dagestan Inc. along with others were responsible for extracting 2 to 6 million tonnes of oil annually. To all intents and purposes, 90 percent of the region's oil production was in the hands of six firms which extracted as much of the oil as quickly as possible, resulting in long-term negative effects on the structure and longevity of the oil wells.[286]

Despite the region's initial success in producing correspondingly large amounts of high quality hydrocarbons, Grozny's oil fields suffered several set backs due to political as well as geological factors. At the beginning of the 1917 Bolshevik revolution like Baku, Grozny's oil industry was subject to labour revolts and industrial sabotage.[287] At one point, the Novogrozensky field was set ablaze and more than 2,500,000 tonnes of oil were lost along with the field's production wells. During the country's civil war and subsequent economic restructuring, the output of Grozny's oil industry recovered, despite the significant political and economic upheaval.

Oilfields	Production (in 10^3 Tonnes)				
	1920-1921	1922-1923	1923-1924	1924-1925	1925-1926

[280] Oil was first reported outside the city of Grozny in 1833. Commercial development of the region's resources did not follow until 1893. See Robert E. Ebel, "The History and Politics of Chechen Oil", *Caspian Crossroads Magazine* No. 1 Winter (1995) available at <http://ourworld.compuserve.com/HOMEPAGES/USAZERB/3.htm> accessed on 10.10.2007.

[281] Companies such as Shell, the Russian General Oil Company and Tovarischestvo Nobel were responsible for approximately 60percent of petroleum production in the Russian Empire at the start of the 20th century. See Daniel Yergin, *The Prize:The Epic Quest for Oil, Money and Power* (New York: Free Press, 1992); and N.A Krylov., A.A. Bokserman and E.R. Stavrovsky (eds.), *The Oil Industry of the Former Soviet Union: Reserves and Prospects, Extraction, Transportation* (The Netherlands: Gordon and Breach Science Publishers, 1998).

[282] Foreign investments in the Russian oil industry were considerable … and foreign capital followed that interest. More than half the capital investment in Russian oil came from abroad. It has been estimated before World War I the total amount invested in the Russian oil industry was about 240 million USD. Of that sum about 130 million USD represented foreign capital. See Robert E. Ebel, "The History and Politics of Chechen Oil", *Caspian Crossroads Magazine* No. 1 Winter (1995) available at <http://ourworld.compuserve.com/HOMEPAGES/USAAZERB/3.htm> accessed on 10.10.2007.

[283] Over 90 percent of Russia's oil was produced between these two regions in the early 1900's. See N.A. Krylov, A.A. Bokserman and E.R. Stavrovsky (eds.), *The Oil Industry of the Former Soviet Union: Reserves and Prospects, Extraction, Transportation* (The Netherlands: Gordon and Breach Science Publishers, 1998), p. 71

[284] Traditionally, in the Grozny region, oil was produced in the Starogroznenskoye, Novogroznenskoye and Voznesenskoye oil fields. In 1913, 1,200,000 tonnes of oil were produced by these fields and in 1917: 1,800,000 tonnes. The Grozny region occupied second place in Russian oil production: in 1917, it made up 21.8 percent of total Russian oil production. Ibid. p. 72

[285] "Endless Gold in the Chechen Soil", *Chechen Society Today* available at <http://www.chechnya.cjes.ru/journal/?j_id=6andc_id=156> accessed on 10.10.2007.

[286] Ibid.

[287] See Z.A. Zakhiraeva, "Development of the Grozny Oil Bearing Region" in *The Chechen Republic and The Chechens: History and Modernity. Materials from the All Russian Scientific Congress Moscow 19th-20th April 2005* (Moscow: Nauka, 2006), pp. 288-292

Starogroznenskoye	**839**	**714**	**699**	**946**	**1,010**
Novogroznenskoye	**367**	**786**	**927**	**1,069**	**2,011**
Voznesenskoye	**2.0**	**1.9**	**3.1**	**7.5**	**5.6**

Table 4: Oil Production in the Grozny Region 1920-1926 [288]

After the civil war, there existed differences over the percentage of sales of oil products from Grozny's wells and newly established processing industries. The Central Administration for Heating (CAH) in the USSR had determined the split between the central authorities and the region to be 30 percent of external sales and 40 percent of internal proceeds, although they finally agreed amongst themselves that a ceiling of 30 percent deducted from the sale of crude oil would be sufficient to form a compromise between the two sides.[289] By the early 1930's Stalin had consolidated his political power as well as the state's control over the means of economic production in the USSR. Consolidation also occurred in the oil industry. The strategy behind centralisation seemed to be the rationalisation of control over economic development in the USSR. [290]

Throughout the 1930's, Grozny's importance to the Soviet economy as well as to external interests as an oil producing region was quite evident with 35.7 percent of Soviet oil coming from the Grozny fields in 1932. [291] Hitler had maintained that the Caucasus' oil fields were of considerable strategic importance. The German advance into the Caucasus region was directly aimed at the Baku and Grozny oil fields, their significant reserves of hydrocarbons were essential to maintaining the forward mobility of the German advance through Soviet territory. Grozny was of particular strategic importance owing to the unique properties of the city's oil which could be turned into high quality lubricants for Hitler's motorised divisions.[292]

While the southern fields were under increasing pressure from the invading German forces, the Soviet government began to explore for other fields away from the south-western front, toward the interior of the country. The Volga-Urals region was earmarked for hydrocarbon exploration and development. The five year period directly after World War II saw a significant shift in the focus of the country's burgeoning oil industry. Moving away from the established centres of Baku and the maturing fields around Grozny, the central government concentrated its efforts on developing the large deposits in Tatarstan, Bashkortostan, Samara, and Orenburg.

During the same period, Grozny's fields continued to boost their output, increasing throughout the 1940's and 1950's and peaking at 3,300,000 tonnes in 1960.[293] Despite the advent of new technology and the drilling of new wells in the region, Grozny's oil heyday had moved past its

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[288] See N.A. Krylov, A.A. Bokserman and E.R. Stavrovsky (eds.), *The Oil Industry of the Former Soviet Union: Reserves and Prospects, Extraction, Transportation* (The Netherlands: Gordon and Breach Science Publishers, 1998), p. 73

[289] See Z.A. Zakhiraeva, "Development of the Grozny Oil Bearing Region" in *The Chechen Republic and The Chechens: History and Modernity. Materials from the All Russian Scientific Congress Moscow 19th-20th April 2005* (Moscow: Nauka,2006), pp 291

[290] "Endless Gold in the Chechen Soil" , *Chechen Society Today* available at <http://www.chechnya.cjes.ru/journal/?j_id=6andc_id=156> accessed on 10.10.2007

[291] See N.A. Krylov, A.A. Bokserman and E.R. Stavrovsky (eds.), *The Oil Industry of the Former Soviet Union: Reserves and Prospects, Extraction, Transportation* (The Netherlands: Gordon and Breach Science Publishers, 1998), p. 73

[292] "Endless Gold in the Chechen Soil" as published on Chechen Society Today at http://www.chechnya.cjes.ru/journal/?j_id=6andc_id=156

[293] See N.A. Krylov, A.A. Bokserman and E.R. Stavrovsky (eds.), *The Oil Industry of the Former Soviet Union: Reserves and Prospects, Extraction, Transportation* (The Netherlands: Gordon and Breach Science Publishers, 1998), p. 76

prime.[294] Grozny, however, did survive the maturing and steady decline of its resource base, becoming instead a crucial regional hub for transit and processing of hydrocarbons. Specialisation of the industry served both regional and federal level transit and refining sectors and interests.[295]

The Russian Federation's Inheritance from the Soviet Oil Industry

The legacy of the 1970's and 1980's left an indelible mark on both the external and internal structures of the Soviet State. The USSR's exploration and production drive began shortly after World War II. The fundamental changes forced in the global oil industry by the energy crises in the early to mid 1970s served as an opportunity for the USSR to increase its role as an oil exporting country which could augment if not fully replace traditional sources of hydrocarbons from the Middle East.[296] In response to the changing international market for oil, the Soviet leadership developed aggressive policies to take advantage of the domestic production industry by increasing production in along the Volga basin and in the newly opened fields of Western Siberia.[297] This all-out drive to produce fantastic growth in exploration and production in the Soviet oil industry did not come without risks or unforeseen costs.[298] Without the additional revenues to prop up the already creaking economy, individual economic sectors started to display crucial faults in terms of administrative organisation, technological advancement, and the quality of infrastructure, as well as poor decision making. The Soviet oil industry was not immune. [299]

The overall situation within the oil industry was grave. Some estimates at the time suggested that 50 to 70 billion USD would be necessary to resurrect the country's oil production to pre-1986 levels partially because of the rudimentary level of technology in use throughout the Soviet oil industry at the time.[300] In Chechnya, the irreconcilable relation between the demands incurred by increased output and irrational economic planning also became observable with recovery dropping from 20 million tonnes annually in the late 1970s to below 2 million tonnes a decade later.[301]

Apart from the pure economic numbers that showed an increasing decline in the oil produced by the industry, several other interesting figures give a much more complete picture of the industry's relations with society. The benefits from the proceeds accrued from the sale of the republic's oil were not evenly distributed. Chechnya's economy was never very balanced between sectors in the first place. According to Tishkov, [302] there were two economies in the republic during the Soviet period, one Russian and one national. The Russian economy employed mainly Russian workers

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[294] Robert E. Ebel, "The History and Politics of Chechen Oil" in *Caspian Crossroads Magazine* No. 1 Winter (1995) available at <http://ourworld.compuserve.com/HOMEPAGES/USAAZERB/3.htm> accessed on 10.10.2007.
[295] ibid.
[296] Joseph Stanislaw and Daniel Yergin , "Oil Reopening the Door", *Foreign Affairs* Vol. 72, Sept.-Oct. Iss. 4 (1993), pp. 81-94
[297] N.A. Krylov, A.A. Bokserman and E.R. Stavrovsky (eds.), *The Oil Industry of the Former Soviet Union: Reserves and Prospects, Extraction, Transportation* (The Netherlands: Gordon and Breach Science Publishers, 1998), p. 24
[298] Joseph Stanislaw and D. Yergin, "Oil Reopening the Door" in *Foreign Affairs* Vol. 72, Sept.-Oct. Iss. 4 (1993), pp. 81-94
[299] ibid.
[300] According to Stanislaw and Yergin, the Soviet Oil Industry relied upon technology that was close to thirty to forty years older than that employed by western firms. For more, see Joseph Stanislaw and D. Yergin, "Oil Reopening the Door" in *Foreign Affairs* Vol. 72, Sept.-Oct. Iss. 4 (1993), pp. 81-94.
[301] Liz Fuller, "Tug of war for Control of Chechnya's Oil Revenues Continues" in *RFE/RL Newsline* Wednesday 6 December 2006 available at <http://www.rferl.org/newsline/2006/12/5-not/not-061206.asp> accessed on 10.10.2007.
[302] Valerii Tishkov cited in M.M. Ibragimov, "The Peculiarities of the Crisis in the Chechen Republic in the 1990s" in *The Chechen Republic and the Chechens: History and Modernity. Materials from the All Russian Scientific Congress Moscow 19th-20th April 2005* (Moscow: Nauka, 2006), p. 369

who had migrated to the republic. It consisted of heavy industrial sectors such as the oil industry, [303] machine building and transport. The national economy wherein Chechens formed the bulk of the work force mainly focused on lower skill sectors such as construction, agriculture and horticulture. The Russian sector, owing to its demand for highly trained, technical workforce, suffered chronic labour shortages. Once the first war began, a majority of the oil industry's skilled labour emigrated back to Russia, and left the oil sector without the personnel to staff Dudayev's and Maskhadov's economic miracle.

From Perestroika to Post-Soviet Grozny: Institutional Chaos and War against All

The events leading up to the first invasion of Chechnya by Russian Federal forces in 1994 mirrored the economic, political, social and legal conditions observed throughout the perestroika period and the early years of Russia's nascent federal system. In the institutional vacuum caused by bitter infighting amongst Soviet nomenklatura elites in Moscow, regional leaders were essentially left to their own devices in order to conjure up novel ways to build support to shore up their own positions at the regional level. Unlike Karelia, Sakha and Tatarstan where the new elite were able to successfully cobble together control over the remnants of communist era economic and political decision making networks, Chechnya's leadership floundered in such endeavours without significant backing from Moscow.

The Dudayev Regime and Chechen Oil

In the face of increasing nationalist opposition, the pro-Moscow administration of Doku Zavgayev was thrown out of the Chechen parliament and replaced with the populist leader of the Congress of the Chechen People (the CChP) Dzhokar Dudayev in 1991.[304] Besides calling for independence based upon primordially defined, ethnic self-determination programme for the Chechen people, Dudayev's platform relied on the transfer of previously Soviet-held economic assets and industrial facilities over to the direct control of the administration in Grozny.[305] The underlying plan for the nationalisation of the republic's oil resources was to underwrite the expenses of the new regime financially as it moved away from Moscow's control towards political, economic and ethnic independence. Despite the falling numbers within the republic's oil industry itself, the economic incentives on a regional basis for seizing former Soviet assets were astounding.[306]

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[303] According to Ibragimov, 50,000 labourers were employed in two of the largest firms in the republic: Groznefteg az and Groznefteorgsintez, both part of the republic's as well as the USSR's oil and gas sector. See M.M. Ibragimov, (2006), p. 369

[304] For a detailed account of the 1991 Chechen Coup see Alexander Iskandarian, *Background Information on Chechnya* UNHCR Commissioned Study (Moscow: UNHCR, 2000), pp. 1-21

[305] See Dzhabril Gakaev,, "Chechnya in Russia and Russia in Chechnya" in Richard Sakwa, (ed.), *Chechnya from Past to Future* (London: Anthem Press, 2005)

[306] By 1991, in Chechnya-Ingushetia up to 4.2 million tonnes of oil per year were being extracted. During the Soviet period, the Chechen Ingush Republic refined up to 18 million tonnes of oil a year, providing 6 percent of the USSR's joint gross national product. After the dissolution of the USSR, Chechnya continued to play a major role in the economic life of the country. Major oil and gas pipelines passed through Chechnya's territory to ports on the Black Sea. These included branches coming from the Caspian and the Tengiz oil deposits in Kazakhstan. Such huge oil resources which in 1991 had essentially been left without a clear owner added fuel to the struggle among the new quasi-elites of Moscow and Grozny; indeed, oil was being transferred from other regions of Russia along the pipelines to Grozny for refining and transportation right up until 1994.Ibid., p 25

Despite the amount of speculation and conspiracy theory surrounding the Chechen oil industry's influence in the strategic decision-making process in both Grozny and Moscow, some interesting observations have been made concerning the nature and organisation of competition over the economic and political resources amongst both federal and regional elites. The correlation between control over the Chechen oil assets and Dudayev's attempts at consolidation of power over the republic's elites is a case study in suboptimal political and economic strategic leadership. According to some sources, Dudayev and his allies in the early 1990s understood that the republic's natural resources were at very low ebb.[307]In such a scenario, the republic's refining industry could be utilised to supply the needed financial resources to secure Dudayev's political position as president of the republic. Taking advantage of a loophole the Russian Federation's export licensing laws, the Dudayev regime was able to turn a massive profit by illegally exporting oil abroad while paying minimal domestic costs for the petroleum's refining.[308] The reliance on profiteering on the part of the Chechen regime led to tensions not only with Moscow, but within the republic itself:

> More importantly, illicit oil bartering may help explain the further fracturing of Dudayev's regime that took place in 1993. The summer battles between the Dudayev regime and its opponents were preceded that spring by a fall-out between Dudayev and his deputy Yaragi Mamodayev following the murder of the latter's adviser, Georgi Sanko. Anatoli Surikov dates the breakdown of relations between Dudayev and Grozny mayor Beslan Gantemirov to the spring of 1993, and Dudayev's decision to create a new police force, which is an additional angle to the claim that Gantamirov supported anti-Dudayev demonstrations in Grozny in 1993 as a lever by which to pressure Dudayev into sharing a larger part of the money made by his administration.[309]

Besides the spectre of intra-elite power struggles, the Dudayev regime was accused of extensive connections with the republic's as well as federal-level criminal organisations while neglecting the socio-economic conditions under which the republic's population was living. Trains on the republic's rail network were frequently stopped and looted, while oil flowing into the republic from Azeri fields in the south was being siphoned off. In the absence of federal control, the Chechen republic reportedly was able to export somewhere between 20 and 40 million tonnes of oil abroad, which amounted to approximately 300 million USD for republican coffers. [310] Predictably enough, the Dudayev administration, unable to control the export flows due to political infighting lacked the budgetary revenues for the regions socio-economic needs. The presidential administration allowed the republic's infrastructure, its educational and healthcare systems as well as the overall social welfare net to decay irreversibly.[311]

By analysing the available materials, it can be maintained with a fair amount of certainty that the Dudayev administration's resource-based independence strategy contained several major faults. From an institutional standpoint, it can be argued quite effectively that Dudayev's reliance on the republic's oil industry revenues to fill the institutional void in state structures prevented his administration from ever consolidating political control over Chechnya's fractionalised elite. By providing a huge economic incentive to defect from cooperating with the presidential administration, Dudayev was forced to ensure that increasing expectations as well as competing interests on the part of various actors were met, no matter what the cost. Secondly, with most of the country's industrial management fleeing after the Dudayev coup, there was hardly anyone left outside the presidential administration with the necessary technical knowledge or financial

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[307] Some estimates state that the amount of oil left in Chechnya amount to 30 million tonnes. See Robert Seely, *Russo-Chechen Conflict 1800-2000 A Deadly Embrace* (London: Frank Cass and Co., 2000), p. 197
[308] ibid., pp. 197-198
[309] ibid., p. 199 See also Anatol .Lieven, *Chechnya: Tombstone of Russian Power* (London: Yale University Press, 1999), p. 74-80
[310] See Lieven (1999), p. 75
[311] ibid., p. 75

resources to resurrect the Chechen oil industry the republican economy or its socio-economic status following the collapse of the USSR in 1991.[312]

Maskhadov and the Interwar Period: The Intensifying Scrum over Chechnya's Remaining Assets

The invasion of Russian Federal forces into the Chechen Republic in 1994 followed by two years of bloody military conflict only served to worsen the already deplorable political, economic and social conditions that led to the war in the first place. Dudayev's inability to translate his early popularity into elite consensus and regime consolidation precipitated the use of nationalist rhetoric to legitimise his position in the place of tangible institutional solutions to the republic's pressing economic and social issues. The fragmentation of the Chechen elite along existing family and tribal lines was manifested in the battle over the remnants of the republic's economic assets, including control over the territory's hydrocarbons.

With Dudayev's elimination by Russian forces in 1996, the leadership of the republic was passed on to former military commander Aslan Maskhadov. Following the signing of the Khassayurt peace accords in the spring of 1997, Maskhadov was elected president of the Chechen Republic in what has been determined by outside observers, to be a free and fair election. To say the least, the tasks facing Maskhadov as the republic's new president were daunting. He inherited a territory that had been devastated by more than two years of military conflict, characterised by a scorched earth campaign, indiscriminate shelling, and ethnic cleansing. Oil remained the region's most logical resource to kick-start economic and social recovery. It would also serve as a solid political base from which to extract concessions from the federal centre in Moscow. Political stability and legitimacy would stem from control over the remaining oil and transit links that would cross Chechen territory, once the republic was rebuilt. Despite the possibilities for economic and social recovery on the back of expected oil revenues, the economy and surrounding infrastructure, severely weakened by banditry and profiteering under Dudayev, was in a shambles after the war of 1994-1996.

There is quite a bit of evidence to suggest that Maskhadov understood the quandary that he was in after the war. In order for him to maintain the political legitimacy and guarantee the longevity of the Chechen republic, he would have to deliver on the economic front. Simultaneously, succeeding at reconstructing the republic's devastated economy would mean both relying on Moscow for funding and securing the support of his domestic rivals to approve the government's economic and political policies. The oil industry seemed the logical place to start. Grozny had been home to one of the USSR's four major processing plants before the war. New oil would soon be flowing in from the Caspian Sea basin. That oil needed markets in order for the project to be commercially viable. Chechnya's pipeline network seemed to hold the key to Maskhadov's problems. Transit fees for the new oil would bolster transfers from the Russian Federation's budget and fill Grozny's coffers. Budgetary proceeds could be used then to finance reconstruction projects and bankroll loyalty to Maskhadov's regime.

At the first meeting between Russian Federation President Boris Yeltsin and Maskhadov in August 1997, Maskhadov presented his demands. Apart from delivering a draft copy of the bilateral agreement between Chechnya and Russia proposed by Grozny, the president of the Chechen Republic brought up the issue of financial relations between the Kremlin and Chechnya. Transfers had been already flowing from Moscow to Grozny accounts. However, there developed discrepancies between the two sides concerning the amount of funding that had been earmarked for

[312] Tony Wood, "The Case for Chechnya" in *The New Left Review* Vol. 30 November-December (2004) available at <http://newleftreview.org/?page=articleandview=2533> accessed on 10.10.2007.

Grozny. According to Yeltsin, 800 billion roubles had been transferred, but only 120 billion appeared on the government's account.[313]

Maskhadov also pressed the oil issue publicly. In several interviews in 1997, the president and members of his administration called for Chechnya's interests to be represented in the new pipeline projects in the region. The most famous case was that of the Baku-Novorossiysk route. After signing contracts with several major international oil companies, the government of Azerbaijan was searching for a route through which it could export the new oil to western markets. The Chechen claim on the pipeline was that approximately 150 km of the line ran through Chechen territory. Moscow signed an initial cooperation agreement with Grozny, but was very dubious when it came to believing that Chechnya's administration could secure its territory to allow for millions of dollars' worth of oil to pass without incident.[314] The negotiations over transit fees as well as the gravity of Grozny's role in the project were subject to rancour on the part of both sides.[315] Maskhadov and then Russian Prime Minister Viktor Chernomyrdin met to resolve the disagreements, but to no avail.[316] The tit-for-tat game continued in which Grozny threatened to build a pipeline through its own territory on to Georgia, while Russia responded with its own plan to bypass Chechnya altogether and reroute the rest of the line through Russia along the Chechen border.[317] The basic issue of the negotiations came down to the transit price the Russian government was willing to pay to the Chechen administration.[318] An agreement between the two sides was finally signed on 10 September 1997. However, despite the signing of the transit fee agreement, no Azeri oil ever flowed through Chechnya's pipelines. Analysts argue that the main factor for Russia reneging on the Chechen deal was linked to Maskhadov's inability to control his opposition. The spate of kidnappings, the rise in criminality, and threats to widen the conflict beyond the Chechen

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[313] Charles W. Blandy, "Chechen Status: Wide Differences Remain" (Conflict Studies Research Centre, 1998) available at <http://www.globalsecurity.org/military/library/report/1998/ChechenStatusWideDifferencesRemain.htm> accessed on 10.10.2007.

[314] According to some reports from the Chechen government and the Yuzhni Oil Company, formerly Grozneftegaz, 1,1150 wells existed on Chechen soil, but close to 5,000 illegal mini-refineries were tapping these wells and sapping potential proceeds from Grozny's budget. Other concerns included the condition of the exiting pipeline to be linked up with the Baku-Novorossiysk line as well as investment to upgrade the republic's infrastructure. See "Russia, Chechnya Sign Oil Deal" in *The Monitor* Vol.3, Issue 103 27 May 1997 available at <http://www.jamestown.org/publications_details.php?search=1andvolume_id=2andissue_id=137andarticle_id=1617> accessed on 10.10.2007

[315] See "Russian Takes Hard Line in Oil Talks with Chechnya", *The Monitor* Vol.3, Issue 113 10 June 1997 available at <http://www.jamestown.org/publications_details.php?search=1andvolume_id=2andissue_id=150andarticle_id=1762> accessed on 10.10.2007.

[316] After the meeting between the two men took place without a substantive agreement being signed, more accusations began to be tossed from side to side. The Chechens with the support of the Azeris accused the Russians of delaying funds to repair the Chechen stretch of the line. See "Chechnya and Azerbaijan Accuse Russia of Delaying Repair of Chechen Oil Pipeline", *The Monitor* Vol. 3, Issue 157 26 August 1997 available at <http://www.jamestown.org/publications_details.php?search=1andvolume_id=2andissue_id=212andarticle_id=2435> accessed on 10.10.2007.

[317] See "Russian and Chechnya Try Again to Reach Compromise on Oil Transit", *The Monitor* Vol.3, Issue 160, 29 August 1997 available at <http://www.jamestown.org/publications_details.php?search=1andvolume_id=2andissue_id=216andarticle_id=2485> accessed on 10.10.2007

[318] The two sides were far off from compromising on transit fees initially. Russia offered 0.43 USD per tonne of Oil shipped while the Chechen side stuck with the price of 2.20 USD per tonne. A third variant was proposed by the Russian government in which Transneft, the Russian Pipeline Monopoly would make up the difference in the transit fees as a contribution to the repairs of the Chechen length of the line. See "Russia and Chechnya Try Again to Reach Compromise of Oil Transit", *The Monitor* Volume 3, Issue 165 8 September 1997 available at <http://www.jamestown.org/print_friendly.php?volume_id=2andissue_id=224andarticle_id=2549> accessed on 10.10.2007.

borders by the warlords forced Russia reassess its plans and build the rest of the pipeline through its own territory.[319]

If there was anything left to fight over, it was minimal in terms of concrete assets and maximum in terms of expected dividends. What complicated the situation even further was the status of the region's ruling elite. Arguably the main objective of the first war was to re-establish federal control over the region through the stabilisation of the Chechen ruling elite. The first Chechen war served not to consolidate the Chechen elite, but to fracture groups along heightened and further differentiated, self-motivated interests. With significantly fewer material resources at the Chechen administration's disposal, Maskhadov looked to Moscow as well as the various Chechen groups for help in reconstructing the republic's shattered political, economic and social institutions. In the end, the strategy of consolation and reconciliation would only serve to divide the republic further.

The national movement had collapsed into a set of warring groups divided along the lines of clan loyalty. Institutional structures that would have served to at least preserve a modicum of political stability and social protection failed to emerge. The region's economic assets were stripped and the remaining population would suffer through the additional deprivation of a second invasion at the hands of federal forces. It was the lack of an overall plan for reconstruction, institutional chaos, weak political leadership, fracturing of the political elite, and the destructive policies of Moscow which led to the ultimate fall of the interwar government. [320]

Conclusions

The example of competition amongst the Chechen elite over the republic's devastated political institutions as well as its oil industry clearly demonstrates the intermingling of political and economic power in the regime-consolidation process. Going beyond this preliminary point, the nature of the relationship between the economic and political factors is problematic to quantify because of the ambiguous nature of the relationship among crucial identifiable factors: *does political power bring economic wealth or is it the other way around*? It seems that in the Chechen case, the complexity of relations between actors, their interests and actor behaviour precludes this analysis from providing a definitive answer to the case's specific outcome. However, it can be said with a good deal of confidence that actor agency, in terms of what strategy was espoused by the Chechen ruling elite, was in some way the product of the social, political and economic environment under which they operated. In the absence of diplomatic skills, a viable economy, cohesive transparent political networks, and an optimal development strategy, the only unifying factor that could be employed by the new elite to legitimise their power was that of nationalist unity.

In the institutional vacuum that dominated the post-Soviet Chechen political, economic and social landscape, the motivation for elite groups to compete was not just their political longevity or economic enrichment, but their biological survival. Occupying positions of political and economic significance enhanced one's chances of surviving the rounds of feuding to come. The lack of an optimal consolidation strategy on the part of the Dudayev and Maskhadov administrations led to the entrenchment of an open-ended, zero-sum game amongst various societal groups. Together with the presence of huge economic incentives, the lack of enforceable political and social restraints prevented any one actor from the already fractionalised post-Soviet elite from consolidating

[319] See Julie Wilhelmsen, *When Separatists become Islamist: The Case of Chechnya* FFI Rapport-2004-2005 (Oslo: Norwegian Institute of International Affairs, 2004), pp. 24-27 available at www.nupi.no/IPS/filestore/00445.pdf accessed on 10.10.2007.

[320] Miriam Lanskoy, "Chechnya's Internal Fragmentation, 1996-1999" in *The Fletcher Forum of World Affairs* Vol. 7, No. 2 Summer/Fall (2003)

political control over economic resources. In turn, instead of stabilising the republic's political, social and economic environment, the expected as well as accrued dividends from the sale of the republic's hydrocarbons fuelled a repetitive, vicious internecine political conflict amongst Chechen society's rival clans.

The domestic Chechen challenge was then magnified at the federal level, with Moscow and Grozny failing to agree upon a long-term, mutually beneficial distribution of political and economic responsibility and competencies over commonly held strategic economic resources within a federal framework. Without substantial guarantees to underwrite the risks of actors' compliance with the new rules of the game, there were and still are no substantial tangible benefits for either the Chechen or the federal administration to abandon the status quo of the continuing war-against-all scenario.[321] Finally, as long as the underlying rules of the game are under-specified between Moscow and Grozny, conditions of economic under-development and political instability will persist, stunting the normalisation of Chechen political, economic and social life. Such structural imbalances could prove to be critical and may also serve to undermine the continued viability of the Russian federal experiment.

[321] After the conclusion of major military operations in the second Chechen conflict in 2000, the Chechen elite were more fractionalised than ever. Forced to the absolute margins of the political spectrum, the radical field commanders' behaviour became even more drastic. Such actions warranted a quick and violent response from the federal centre. Under the Putin regime, the Chechen warlords have been eliminated one by one. Both Grozny and Moscow share the same strategy for maintaining authority over Chechnya, a centralised and highly personalised system of decision making. Most recently, the new president of the region, R. Kadyrov has demanded from Moscow terms similar to those put forth by D. Dudayev in order for Chechnya to remain in the Russian Federation. The vicious circle of hyper-centralisation and regime disintegration may yet once again be observed.

Karelia: Elite Conflict or Consensus?

The Republic of Karelia is the second sub-national federal unit within the Russian Federation chosen for study. This republic, its significant economic prospects, political, cultural, economic and geographic proximity to a potentially hostile neighbour, as well as a pliant bureaucratic political machine, has not produced the observed level of political, economic and ethnic conflict illustrated by the other ethnically defined autonomous republics in the Russian Federation. Nevertheless, despite the lack of violent conflict that has plagued or threatens other regional units in the Russian Federation, the competition amongst the region's political economic and social elite has been fierce since the fall of the USSR. The methods by which elites have competed and still do so over economic and political dominance and in turn hold on to their resources in the region and vis-à-vis Moscow provides a valuable insight into the subtle, multifaceted nature of Russian political and economic power.

The complex overlap of economic, political, social and legal dynamics has produced a very intricate picture concerning how regional elites perceive their potential for maximising their political power and economic wealth, the formulation of their powerbases within their geographical domains, the employment of those resources to obtain positions of control over decision-making and the consolidation and legitimisation of their lofty positions within the context of the state's regional and federal institutions. The objective of this dissertation is to conceptualise the influence that the nature of political, economic, legal and ethnic resources have over the decision-making process of elite bargaining regarding degrees of sovereignty in a evolving federal system after years of "centralised" authoritarian rule. The word centralised is in quotation marks because of the dubious nature of the concept of full political control over a vast political, economic, social, geographical and bureaucratic space that was the USSR and that is now controlled by Russian federal system. It is assumed – and there is evidence to show it – that, following rational choice theory, actor agency is based upon the perception by individual actors of their own "interests" in the competition over their ability to maximise their own political and economic destinies.

The competition over political and economic destinies among actors in a federal system of government is conceptualised through the degree of elite consensus existing among federal elites in Moscow and their regional counterparts who are also their competitors. A constant tension is present amongst the different "levels" of elites within a federal system. This tension may be operationalised by characterising the continuous bargaining process that determines the institutional space in which actors may compete over their interests. Simultaneously, institutional space is manipulated by actor agency which changes the structure of the institutions themselves thus creating a modified environment for interest maximisation. Undeniably, ethnic, political, economic, and legal factors all have had their role to play in the determination of the bargaining process between Karelia and the federal centre. What makes the case more intriguing, despite the lack of ethnic conflict or large reserves of strategic natural resources, is the nature of elite decision-making that took place at the regional level after the fall of the USSR.

Background

At first glance, compared with the ethnic, political, economic and social makeup of the other ethnic republics in the Russian Federation, Karelia would be a bland choice, an open and shut case. There are no observable ethnic pressures manifested as societal protest or autonomy movements; the economy is based upon the export of natural resources such as timber, iron, and stone to other parts of the Russian Federation and to the EU; and the region's leadership is vested in the head of the republic, Sergei Katanandov, ex-manager of a local construction firm and former mayor of the

region's capital Petrozavodsk, whose political power is based upon a platform of economic and social development for the region. The banal nature of regional political, social and economic life is displayed in the nature of the region's relations with Moscow as well. While Chechnya was wrangling with Moscow over the share of oil revenues and struggling to come to grips with the region's desire for independence, and others such as Sakha and Tatarstan were signing agreements setting the political, economic and cultural rules of the federal game, Karelia remained stable, despite experiencing economic recession, the collapse of the communist political nomenklatura, and the resulting social upheaval.

The republic did not sign a full bilateral agreement with the Federal government in Moscow. It did not threaten to use the region's contentious historical relations for leverage against the federal centre. However, neither has the republic gone the route of other economically and politically progressive regional units. What makes Karelia a valuable case study is its seemingly bland, predictable, yet contradictory nature in terms of internal political and economic dynamics and outwardly constructive relations with other actors within the federal structure of the Russian state. It is a republic in which, despite the possibilities for constructive development as well as political conflict, nothing politically, economically or socially significant ever seems to happen. Still, despite the republic's present-day tranquillity, Karelia symbolises the pressures and dynamics that the Tsarist, Soviet and the Russian Federation have been contending with for centuries: the establishment of a viable system of centre–periphery institutional relations.[322]

Historically, the federal centre of the Soviet and the Russian Federation have had to deal with contradicting centralising and decentralising tendencies in their search for legitimisation of centralised federal political, social and economic control. In Karelia the attempt to harness these two incongruous institutional tendencies resulted in a perplexed status for the republic within the federal framework as well as a wavering strategy in relation to the republic from Moscow. In such an institutional context, the regional leadership, legitimised through its representation of ethnic and economic republican interests, was to be subjected to centralised control of communist party functionaries in Moscow who possessed a different set of economic and political priorities. Ethnicity based legitimacy for centralised economic control of republican resources was a contradictory policy that the CPSU never succeeded in stabilising fully. [323]

Economic and ethnic policy prerogatives of Moscow and the republic appear to have been mutually exclusive. How the ethnic circle was to be squared in order to fulfil the interests of both republican and federal economic needs remains a crucial issue, especially in light of conflicting political and economic power preference calculi in an unsettled institutional environment. The situation in the republic towards the end of the twentieth century has bequeathed to the republican and federal administrations within the Russian Federation similar contradictory objectives. In order to solidify Karelia's place within the Russian Federation's evolving federal framework, members of the republican leadership have had to re-forge their integrated economic and political Soviet nomenklatura bureaucratic powerbases to deal with increasing pressure to reform the region's economy so as to attract foreign investments while remaining in the good graces of the federal elite in Moscow. Meanwhile, from within, the Karelian republican elite is attempting to maintain its monopoly gatekeeper position controlling access to the region's political, economic, legal and social resources by limiting the amount of autonomy local actors can deploy in the pursuit of their own competing interests vis-à-vis the leadership in Petrozavodsk.

The task of maintaining political consensus in the face of growing internal and external pressures is a predicament that has yet to be rectified. Republican elites cannot have their cake and eat it too.

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[322] Antti Laine, "Rise and Fall of Soviet Karelia: Continuity and Change in 20th Century Russia", in Antti Laine and Mikko Ylikangas (eds.), *Rise and Fall of Soviet Karelia* (Helsinki: Kikimora Publications, 2002) pp. 7-24 (p.9).
[323] ibid. p. 10

The question concerning the outcome of such a situation is not the focus of this chapter. Instead, the material presented below will examine the economic, political, social, and legal conditions that republican elites manipulate in order to serve their core interests of maximising their political power and economic wealth within the Russian Federation's federal framework.

Political Geography

The Republic of Karelia is located within the Russian Federation's North West Federal Okrug.[324] The Okrug itself compromises 10 percent of the Russian Federation's territory, and 10 percent of the country's population. The area of the Republic of Karelia itself covers 180,500 sq. Km., which accounts for approximately 1 percent of the total territory of the Russian Federation. More than 49 percent of the republic's territory is covered by forest, mostly pine and fir, while 25 percent is covered by water. There are more than 60,000 lakes and 27,000 rivers in Karelia, including the two largest lakes in Europe, Ladoga with an area of 17,700 and Onega at 9,900 sq. km. The waterways of the republic along with limited railroads act as an effective transportation system linking the city of St. Petersburg to the south and the city of Murmansk to the north. Karelia abuts Finland, the Republic's largest trade partner outside the Russian Federation,[325]along a 790 km border to the west, Leningrad oblast to the south, and Murmansk and Archangelsk oblasts to the east. The republic also has access to the White Sea towards the northern end of its territory.

Karelia's industrial complex is reliant upon the region's local natural resources (forestry, wood-processing, pulp and paper, ferrous metallurgy, construction materials industry). There are also value added industries which import raw materials (machinery making and non-ferrous metallurgy). The republic produces 10 percent of the total amount of iron ore recovered in the Russian Federation, 23 percent of the total amount of paper produced, 9 percent of pulp, 7.3 percent of industrial timber, 4 percent of saw-log, and close to 60 percent of paper bags

According to the All-Russian population census of 2002, the population of the Republic of Karelia stood at 716,000 inhabitants. The population is highly concentrated in the region's urban areas. The urban population comprises 75 percent, rural – 25 percent; 37 percent resides in Petrozavodsk, the republican capital. The ethnic make-up of the region is dominated by Russians, with the breakdown of the republic as follows: Russians – 73.6 percent, Karelians – 10 percent, Byelorussians – 7 percent, Ukrainians – 3.6 percent, Finns – 2.3 percent, Vepps – 0.8 percent.[326] The administrative

[324] Russia's seven Federal Okrugs were set up by Putin shortly after becoming president in 2000. As part of the president's campaign to rein in the regional leadership and create a single economic space throughout the Russian Federation, Putin organised the then 89 constituent units into seven federal districts under the control of a presidential envoy. See *The Territories of the Russian Federation 2003* 4th edition (London: Europa Publishers 2003), p. 25

[325] For more information, see Oleg B. Aleksandrov, "The Role of the Republic of Karelia in Russia's Foreign and Security Policy" in *Regionalisation of Russian Foreign and Security Policy* Working Paper No. 5 (Zurich: ETH Zentrum, 2001), available at <http://www.isn.ethz.ch/pubs/ph/details.cfm?click52=106537&v21=106904&click53=106904&lng=en&v33=106537&id=325>;accessed on 09.10.2007, Dmitri Zimin, *Russian Karelia: Future Scenarios to 2015* as published at <http://www.hse.fi/NR/rdonlyres/3E2CC9E0-FA16-4E6D-8778-51BD8926F9C9/0/Karelia_in_2015.pdf> accessed on 09.10.2007; Juhani Laurila ,"The Republic of Karelia: Its Economy and Financial Administration" *Review of Economies in Transition* Bank of Finland Institute of Economies in Transition BOFIT No. 8 (1994), pp.1-73; and Laura Solanko, "Regional Budgets and Intergovernmental Transfers in Russian North and Northwest regions" Bank of Finland Institute of Economies in Transition BOFIT Online No. 6, (1999), pp. 1-29 available at <http://www.bof.fi/bofit_en/tutkimus/tutkimusjulkaisut/online/1999/bon0699.htm> accessed on 09.10.2007.

[326] The ethnic minorities that comprise a small part of the Karelian Republic's population, Finns, Karelians, Vepps and Ingrians are united by a common linguistic heritage, but on the other hand are differentiated by their distinct historical and cultural backgrounds. All groups speak languages that fall into the Finno-Ugric branch of Indo European languages. However, the Vepps, Finns and Ingrians are linked historically by their common affiliation with Lutheranism and the Swedish state. The Karelians on the other hand are Orthodox Christians and have been under Russian authority of the

units of the republic are organised into 19 municipal districts. Each municipality is headed by an official elected according to republican electoral laws.

The Post-Gorbachev Period

The collapse of Soviet power and the reshuffling of political, economic and social priorities in Moscow provided the opportunity for elite groupings within the subjects of the newly formed Russian Federation to define their own strategic interests outside the confines of the communist party. In the absence of an established institutional framework, actors cynically sought to maximise their benefits from the collapse of the previous regime. The unregulated zero-sum game prevented actor agency from being standardised according to a generally accepted set of institutionalised rules and norms.

As described in the theoretical section of this thesis, specific elite strategies during the period under study consist of four independent factors: ethnic, legal, economic and political. The access to these resources is distributed irregularly across the four case studies under investigation here because of each region's distinct political, economic and social legacy. Elite groupings therefore inherit a set of conditions from which they attempt to maximise their political power and economic wealth vis-à-vis the federal institutional structure. The level of sovereignty obtained in the federal relations determines the extent to which regional elites are able to maximise their political power and economic wealth.

The first characteristic concerning elite groups in Karelia at the time of the USSR's demise was the seamless transfer of political power from the organs of the Communist Party to those institutions designed by the republican leadership under the banner of the republic itself.[327] As described by Anatolii Tsygankov,[328] the Communist Party leadership that was in power at the time of Gorbachev, and was at the helm of political power in the republic during the collapse of the USSR, basically faded into the background of political life. Before taking on the position of premier of the Republic of Karelia in 1994, Viktor Stepanov oversaw the gradual dissolution of Communist Party hold over the republic's legislative bodies and their gradual transformation into more democratically inclined institutions open to political competition based on societal preferences.[329] This support for gradual transformation of the political and economic system and inclusion of more voices in the political process by Stepanov was not limited to the republic alone. In his early relations with the federal government in Moscow, Stepanov was against the 1993 shelling of the State Duma by forces loyal to President Yeltsin.[330]

The opening up of the republican political system allowed for various societal interests to be manifested in the new institutional framework. The Soviet representative body, the Supreme Soviet,

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Kievian Rus, the Principality of Novgorod, and that of Moscovy. For more information see http://www.eki.ee/books/redbook/introduction.shtml

[327] Oleg B. Aleksandrov, "The Role of the Republic of Karelia in Russia's Foreign and Security Policy" in *Regionalisation of Russian Foreign and Security Policy* Working Paper No. 5 (Zurich: ETH Zentrum, 2001), p 11 available at <http://www.isn.ethz.ch/pubs/ph/details.cfm?click52=106537&v21=106904&click53=106904&lng=en&v33=106537&id=325>; accessed on 09.10.2007

[328] Anatolii Tsygankov, "Evolution of Political Systems in Karelia during 1989-1998", in Antti Laine and Mikko Ylikangas (eds.), *Rise and Fall of Soviet Karelia* (Helsinki: Kikimora Publications, 2002), pp.252-282

[329] ibid. p. 266

[330] Oleg B. Aleksandrov, "The Role of the Republic of Karelia in Russia's Foreign and Security Policy" in *Regionalisation of Russian Foreign and Security Policy* Working Paper No. 5 (Zurich: ETH Zentrum, 2001), p 11 available at <http://www.isn.ethz.ch/pubs/ph/details.cfm?click52=106537&v21=106904&click53=106904&lng=en&v33=106537&id=325>; accessed on 09.10.2007

was replaced by a bi-cameral legislature. The head of the government, the Chairman of the Government of Karelia, was no longer appointed by the legislative branch, but was elected through a republic-wide election. However, the most radical change underwritten by the region's elite was the de-coupling of local administrative structures from centralised republican control. Under Stepanov, Karelia was one of the first regions that formulated and later adopted a new format for increased decision-making discretion on the part of local administrative units in 1994. Support for local self-government gave local administrators more leeway over their budgets, how they exploited their natural resources and managed local, republican and federal property. The increase in local autonomy meant that administrators had a greater ability to direct subsidies, credits, and foreign currency to the needs of the local population.[331]

Unlike the coup undertaken by Duma representatives that took place in Moscow against Yeltsin in 1993, the competition over political and economic control in Karelia was peaceful and had little immediate effect on the political and economic fortunes of the region's population. At the time, there was no evidence of a strong anti-Stepanov counter-elite based on a viable alternative ethnic, economic or nostalgic platform. The homogeneous republican elite grouping that survived the fall of the Soviet Union in 1991, protested against Yeltsin's unconstitutional shelling of the parliament in 1993 and oversaw the de-centralisation of the republic's political administrative structures began to fracture before the 1998 elections. One major factor changed the republic's elite alignments before elections for the governorship. The management of the region's economy came under more intense scrutiny after difficulties in the privatisation process and issues concerning increasing external influence over the region's natural resources.

The republic's forests were at the centre of attention concerning the ownership of one of the republic's major companies, Segezhabumprom.[332] During the middle stages of the republic's privatisation programme Assi Doman, a Swedish-Finnish corporation, bought 57 percent of Segezhabumprom's shares in 1997.[333] In order to make the investment profitable, the new owners reneged on Segezhabumprom's prior commitment to provide public services to the town of Segezha. The new owners also requested restructuring of the company's debt to the republican administration as well as access to 40 percent of the republic's forests under the auspices of a 49 year lease. The demands on the part of the new ownership resulted in the republican administration retaliating through bureaucratic delays and ultimately lawsuits. As a result of the legal and bureaucratic actions, the Swedish-Finnish majority owners sold their share in the company and left the Karelian market.[334]

The second issue concerned the establishment of the Kalevala nature reserve near Kostomushka. The park, covering 114.8 thousand hectares, was developed by Greenpeace in collaboration with the Forest Institute of the Karelia Scientific Centre, Russian Academy of Sciences, in 1996. The original idea was to protect the region's forests from being cut by the republic's timber industry.[335] During the 1998 election campaign, the republican administration accused Greenpeace of siding with international paper and pulp firms in the struggle for control over the republic's forests.[336]

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[331] ibid., p 13
[332] ibid., p 18
[333] Another 20 percent was owned by the republican government. See Institute for East West Studies Russian Regional Report Vol. 2, No. 15, 30 April (1997), available at < http://se1.isn.ch/serviceengine/FileContent?serviceID=RESSpecNetandfileid=AD31A9C7-08EA-886F-3AC7-F75056D218C2andlng=en> accessed on 09.10.2007
[334] ibid.
[335] See <http://www.greenpeace.org/russia/en/news/june-20-2003-village-of-sudn/short-history-of-kalevala-nati> accessed on 09.10.2007
[336] Oleg B. Aleksandrov, "The Role of the Republic of Karelia in Russia's Foreign and Security Policy" in *Regionalisation of Russian Foreign and Security Policy* Working Paper No. 5 (Zurich: ETH Zentrum, 2001), p 12 available at

These events created a window of opportunity for a new elite group to coalesce and challenge Stepanov for the governorship of the republic. However, this new elite group was not formed from any of the nascent social movements or political parties observed in the republic after the fall of the Soviet Union in 1991. Instead this "new" elite had its political and economic interests forged in the Soviet past, too. Relying upon the same network of economic, political and social connections that were a central part of maintaining the Soviet institutional apparatus, the mayor of Petrozavodsk, Sergei Katanandov, came forward to challenge Stepanov in the 1998 elections. Katanandov's candidacy would not present any substantial policy shifts, but more importantly served to split Karelia's ruling elite.[337]

Katanandov, the leading opposition candidate, was a former economist and head of the Petrozavodsk city administration from 1990 to 1998. His nomenklatura pedigree did not differentiate him in terms of image from Viktor Stepanov. Stepanov's time as the head of the Karelian Republic was perceived as relatively stable despite the economic difficulties experienced during the early years of transition from the centralised to a more liberally orientated economy. A widespread sense of dissatisfaction with Stepanov and his policies did not register amongst the voting public. In order to distinguish himself from his competition, Katanandov turned to an election tactic based not on strategies for political autonomy in the municipalities,[338] which might have seemed vague to the voting public, but instead focused on the issue of the region's prospects for economic development.[339] While Stepanov was able to rely upon the republican media, the remaining communist party political networks and sympathetic industrial managers to drum up support for his re-election campaign, Katanandov's constituency was much more diverse including white and blue collar voters. [340]

Katanandov's surprise electoral victory over Stepanov provided the new governor with the catalyst for implementing his personalised managerial approach to reforming the republic's economy. he spoke of a new model in state-based economic and social management that relied upon the specific insight of the governor himself while also calling for the recentralisation of regional-local and regional federal relations. [341]

Apart from laying out his plans for restructuring the republic's administrative control over the economy in his treatise on the republic's economic and social development, Katanandov appears to be a Karelian version of a federal technocrat. His policy positions on substantive issues such as restructuring the economy away from resource export to value added industry are vague. It can be said that he is a political opportunist, pinning his political fortunes to parties and figures that are much more powerful than he himself is. [342] Despite his lack of substantive commitment to specific policy positions in public, Katanandov has formed a formidable political and financial powerbase in

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<http://www.isn.ethz.ch/pubs/ph/details.cfm?click52=106537&v21=106904&click53=106904&lng=en&v33=106537&id=325>; accessed on 09.10.2007

[337] Anatolii Tsygankov, "Evolution of Political Systems in Karelia during 1989-1998", in Antti Laine and Mikko Ylikangas (eds.), *Rise and Fall of Soviet Karelia* (Helsinki: Kikimora Publications, 2002), pp.252-282 (p. 267).

[338] Oleg B. Aleksandrov, "The Role of the Republic of Karelia in Russia's Foreign and Security Policy" in *Regionalisation of Russian Foreign and Security Policy* Working Paper No. 5 (Zurich: ETH Zentrum, 2001), p 12 available at <http://www.isn.ethz.ch/pubs/ph/details.cfm?click52=106537&v21=106904&click53=106904&lng=en&v33=106537&id=325>; accessed on 09.10.2007

[339] For insights into the policies that made up Katanandov's political platform see (1999 and 2000) *The Rebirth of Karelia: A Concept for Social and Economic Development 1999-2002-2010* Petrozavodsk

[340] ibid., p. 13

[341] ibid., p. 13

[342] Dmitri Zimin, *Russian Karelia: Future Scenarios to 2015* p. 8 as published at <http://www.hse.fi/NR/rdonlyres/3E2CC9E0-FA16-4E6D-8778-51BD8926F9C9/0/Karelia_in_2015.pdf> accessed on 09.10.2007

the republic by cobbling together a significant level of political clout from the region's influential business sector. [343]

The Collapse of the USSR: Karelian Elite at a Crossroads

On the basis of the historical assessments outlined above, it can be maintained that those individuals who made up the administration of the Karelian Republic after 1991 shared a common pedigree. Unlike the leadership that assumed political control in Chechnya, Karelia's elite owed its political background and experience to the now defunct Communist Party structures. The new Karelian leadership was largely composed of holdovers from the nomenklatura of the Gorbachev period. The elite's justification for its position in the political social, legal and economic hierarchy of the republic derived from membership of the USSR's Communist Party. The party provided career politicians with the bureaucratic network needed to fulfil economic, social and political demands from Moscow as well as the resources to provide through patronage the economic, political and social currency needed at the republican level for the regional constituency.

Over time, the original elite group that inherited the mantle of republican leadership from the Soviet nomenklatura shed the superficial legitimacy of the Communist Party trappings and developed into a grouping that based its political legitimacy on restructuring the region's internal administrative relations. This powerbase sought the establishment of consensus among diverse municipal economic and political interests by tinkering with levels of autonomy to which these actors could gain access within the region's existing Soviet-era bureaucratic institutional framework. Towards the end of the 1990's, the republican elite, under the former communist Viktor Stepanov, had based its legitimacy on allowing more political and economic actors a higher degree of access to the political process in the region.

While this afforded increased opportunity for economic actors to develop their interests, it also allowed for the nurturing from within of a counter-elite faction, whose platform was based on furthering the economic development of the region initiated by the previous republican administration. This new elite, headed by the former mayor of Petrozavodsk and present governor, Sergei Katanandov, however, did not fulfil its promise to open up the economy, but has established a political machine that has reversed the autonomy drive undertaken by the previous leadership, and sequester most if not all local control over the republic's economic, political and social prerogatives. Regarding its status within the Russian federal hierarchy, the amalgamation of economic, political and legal control has resulted not only in the stagnation of regional political and economic development, but also, from some points of view, in an indifferent attitude on the part of Moscow in terms of economic and political strategies for the region's further development.

The Consolidation Dynamic: Significant Contributing Factors

The Lack of Ethnic Conflict

Even though the Republic of Karelia is under federal and republican statutes considered an ethnic republic, as the numbers from the 2002 census indicated above Karelia's population is predominantly Russian. Despite the Russians' long history shared with other ethnic groups such as Finns, Vepps, and Karelians, the republic's political and economic transformation following the fall of the USSR has not been defined in ethnic terms. Looking back at the history of the region gives some insight into why, despite its ethnic status, Karelia is an ethnic republic in name only. At the time of the Bolshevik Revolution in 1917, ethnic Finns from the United States and Canada were

[343] ibid., p. 9

invited by the Soviet state to build socialism within the region. By the time the Russian Civil War ended and Soviet control over Karelia was established, the ethnic composition of the region had changed.

The next shift in the region's ethnic make-up occurred during the prolonged conflict between the USSR and its former Grand Duchy, Finland. Since independence in 1917, Finland had survived its own civil conflict between socialist and liberal elements. Territorial claims that were by-products of the collapse of the Russian Empire were left to fester between the two states. During the Winter War starting in 1930 and the continuation war in 1941 there were shifts not only in the front lines, but also in the ethnic composition of the region's population. By the time the continuation war had ended in 1944, and following the subsequent surrender of Nazi Germany in Europe in 1945, many of the remaining Finns, Vepps, and Karelians who did not flee to Finland were purged from the region, and replaced by ethnic Belarusians and Ukrainians.

The border issue was also settled between Finland and the USSR. As a result of the peace agreement between the USSR and Finland, Finland ceded control over the Karelian isthmus northwest of Leningrad, including Finland's second city, Viipuri, the left shore of Lake Ladoga, and another piece of territory to the north which now is part of Russian territory in Murmansk Oblast. To this day, the reasons for the Winter War, its subsequent continuation during the Nazi invasion in 1941, and the resulting peace accord in 1945 are contentious events for the Finns. The discourse surrounding the return of Karelia in recent years has been fuelled by reports of high-level initiatives in the 1960's on the part of the Finnish government to regain the lost territory. Despite the existence of the public discourse on Karelia's return, the territorial question for the governments of Finland and the Russian Federation is no longer an issue.[344]

However, in the republic itself, given impetus by Gorbachev's perestroika programme of reforms, the national question was resurrected. As in many of the USSR's various regions, the ebb of Moscow's ability to manage the country's political and socio-economic policies through the auspices of the communist party allowed for new actors to fill the void. Karelia's experience of Soviet national policy had seen the Republic's indigenous population reduced to 10 percent of the whole. The Karelians had been linguistically and culturally assimilated into the Russian majority. Regardless of the demographic numbers, the ethnic issue formed the basis for new forms of social and political mobilisation. [345]

The ethnic issue was therefore channelled into a larger public debate concerning the status of minority groups within a more transparent, accountable system of political, social and economic representation. This "public consciousness"[346] had more to do with the organisation of various trends concerning democratic government around the rallying point of identity than a purely separatist, nationalistic movement. For instance, the National Front of Karelia based its political platform on representative forms of government and the creation of democratic political parties. [347] Organisations such as the National Front of Karelia, therefore, were more orientated against the abuse of and monopoly over power possessed by the CPSU. However, the Front itself was not on the political scene for very long and by 1990 was subsumed by a larger Russia-wide party, Democratic Russia.[348]

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[344] Antti Laine, "Rise and Fall of Soviet Karelia: Continuity and Change in 20th Century Russia", in Antti Laine and Mikko Ylikangas (eds.), *Rise and Fall of Soviet Karelia* (Helsinki: Kikimora Publications, 2002) pp. 7-24 (p. 11).
[345] ibid., p. 17-18
[346] Anatolii Tsygankov, "Evolution of Political Systems in Karelia during 1989-1998", in Antti Laine and Mikko Ylikangas (eds.), *Rise and Fall of Soviet Karelia* (Helsinki: Kikimora Publications, 2002), pp. 252-282 (p. 253).
[347] ibid., p. 255
[348] ibid.

The Lack of a Political Opposition

In Karelia, the crucial role that an organised opposition plays in the formulation and representation of various economic, political and social counter-interests that fall outside those prerogatives of the ruling elite was left unfilled.[349] This development was not due to the lack of options. Starting with the collapse of the USSR, several societal groups representing a Karelian point of view to politics counter to that of the Communist Party line did come to the fore. However, in the face of pressure developed from the CPSU's ability to employ its monopoly over informational, bureaucratic and economic resources in the republic, as well as the new opposition's inability to formulate a viable strategy either to work with or to counter the CPSU bureaucracy, the embryonic opposition was left to develop in isolation from the population at large. On the other hand, it is entirely in the realm of possibility that the public itself after the cataclysmic events of the early 1990's was not ready or willing to accept a new ruling elite built on an unfamiliar set of interests and a foreign strategic platform. One of the outstanding characteristics of the nature of elite competition within the republic was the glaring lack of an organised opposition to the reformulated nomenklatura grouping headed by Stepanov and subsequently by Katanandov. As a legacy of the stunted political culture of the republic "political parties do not play a major role in regional political life".[350] The lack of outlets for the venting of the general population's interests during the electoral process has had some significant ramifications for the republic's political culture, including the decline of legislative power at both the republican and local levels. [351]

Without a viable alternative to the nomenklatura's shallow platform of economic development, the possibilities for alternative forms of political dialogue and representation within the republic became very remote. Already able to bank on its existing relationship with the republic's major firms and the bureaucracy in the republic, the republican elite has created a monopoly over political and economic power in the region limiting access to the flow of information on relevant issues as well as creating a gatekeeper capacity in terms of developing the republic's natural resources. [352]

Relations within the Russian Federal Context: Concessions from the Centre

During the struggle over political control of the Federal centre between the legislative and executive branches of government which culminated in the shelling of the Russian parliament in 1993, the administration of Boris Yeltsin made several concessions to the ethnically defined autonomous republics. As was the case with the other republics in this study, the Republic of Karelia received its share of concessions from Yeltsin in exchange for the republic's political support of the president during his conflict with the Duma.

Between 1991 and 1993, several decrees were signed that granted a great deal of financial and economic autonomy to the republican elite in Petrozavodsk.[353] According to presidential decree, the Republic of Karelia would maintain control over all foreign exchange revenues earned by the republic from 1991 to 1993. Starting in 1994 to 1998, these revenues would remain under republican control, but in the form of interest-bearing credits. Second, the republic would be allowed to withhold all payments due to the Federal extra budgetary fund, but in return Karelia

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[349] ibid.
[350] Dmitri Zimin, *Russian Karelia: Future Scenarios to 2015* p. 8 as published at <http://www.hse.fi/NR/rdonlyres/3E2CC9E0-FA16-4E6D-8778-51BD8926F9C9/0/Karelia_in_2015.pdf> accessed on 09.10.2007
[351] ibid. p 9
[352] Anatolii Tsygankov, "Evolution of Political Systems in Karelia during 1989-1998", in Antti Laine and Mikko Ylikangas (eds.), *Rise and Fall of Soviet Karelia* (Helsinki: Kikimora Publications, 2002), pp. 252-282 (pp. 278-279).
[353] For more information see Juhani Laurila ,"The Republic of Karelia: Its Economy and Financial Administration" *Review of Economies in Transition* Bank of Finland Institute of Economies in Transition BOFIT No. 8 (1994), pp.1-73

would not be able to access the fund for more financial support. Finally, any foreign exchange earned by firms in the republic would be handled by the firms' own exchange funds. The firms were then obliged to sell 75 percent of the hard currency to the republican foreign exchange fund and 25 percent to the federal fund.

According to the same decree, Karelia's role in the Russian federal economy was also delineated. The new financial resources and control would be channelled into industrial modernisation projects in the republic. To speed up economic growth, privatisation of the republic's industries and assets would be undertaken as well. Karelia's resources – its timber, minerals, fish, and furs – were to be earmarked for export to international markets. To aid in the development of the export of the region's resources abroad, the Russian Federation supported the implementation of an improved customs regime with neighbouring Finland. The republic would also take responsibility for paying off a percentage of Russia's external debt.

In 1993, another degree was signed by the President which allocated more financial autonomy to the Karelian Republic. In line with the 1991 decree, international contacts between the republic and Finland were to be expanded. On the basis upon the new customs regime in the previous decree Russia called for further economic ties between the Finnish and Karelian pulp and paper industries, forestry and energy sectors. Cultural exchanges and increased opportunities for tourism were to be supported. To aid in this deepening of economic and cultural contacts, the Karelian Ministry of Foreign Trade was given the right to deal directly with Finland in issues of trade. Higher salaries were also paid in order to keep the workforce from leaving for larger cities such as St. Petersburg and to attract more competent and qualified workers to the region's factories and institutions. The final concession was in the area of taxation: the republic was allowed to keep 90 percent of the tax revenues collected on the republic's territory, thus relieving Karelia from the bulk of its federal level budgetary responsibility to Moscow.[354]

Observable Impact of the Concessions

There are two distinct implications that can be obtained from the two presidential decrees concerning financial concessions and decision-making authority granted to Karelia in 1991 and 1993. The first implication concerns the level autonomy obtained in developing the region's economy. How the republican administration would use its new-found financial discretion would not only serve to shape Karelia's internal economic and political relations, but would also produce political and economic knock-on effects with Moscow within the federal framework. Secondly, Karelia's ability to develop its external relations with Finland would add an international dimension to traditionally internal economic and political connections. The addition of Finland into the Karelian Moscow relations would only serve to complicate responsibilities and competencies for the republic and federal centre that had yet to be standardised within the Russian federal framework.

The Economic Factor: Internal Economic and Political Dynamics

[354] According to standard tax collection practices in the Russian Federation, taxes that were collected starting at the lowest administrative level were funnelled up through the republican to the federal level in Moscow. The central government would then redistribute the funds throughout the federation to cover costs which were the responsibility of the central government. The tax exemption granted to Karelia was also extended to other regions that possessed strategic natural resources. Karelia's exemption started in 1992 and lasted until 1998. During those years, the republic's tax funds were transferred to a special reconstruction fund which was put aside for the republic's economic and social development. By 1994, the fund's value stood at 158 billion rubles. See Laurila, 1994.

In their analysis of the dynamics influencing levels of autonomy amongst the different tiers of the institutional hierarchy in the Republic of Karelia, Gel'man et al.[355] observed that two major contributing factors directly affected the development of the particular elite groupings and determined how these groups subsequently organised their economic, political and social resources in order to compete over leadership over the republic.

First, as a border territory in the RF, the republic was in the position to avail itself of the positive economic benefits stemming from its geographical proximity to foreign investors, access to strategic transportation routes and lucrative markets for the region's resources. Second, in a more negative sense, the republican capital city Petrozavodsk acting as a gatekeeper was able to control access to political and economic resources, under the guise of greater opportunities for regional social and economic development.

Early on, expectations both within the republic and in Moscow for successful economic development were raised thanks to the republic's proximity to as well as historical ties with Finland. This is evidenced by the federal government's granting the republic the right to devise its own external economic relations along with a high degree of control over the necessary financial resources to support cross border trade and investment opportunities. However, a major obstacle for those expectations was the structure of the republic's economy left after the collapse of the Soviet Union. The region's natural resources, production facilities and transportation networks were controlled by either huge firms based in the republic or federal monopolies in Moscow. In some cases, the delineation of control over these resources was subject to squabbling between republican municipalities and the republican capital, as well as between the region itself and Moscow.

Until 1991, economic directives in terms of exploration, development, transportation and orders for natural resources, light and heavy manufactured goods and also food stocks were the prerogative of the state planning board in Moscow. Suddenly, the region's elite found themselves operating in a strange, unfamiliar institutional free environment with no tangible experience in economic development and management. Complicated by the need for the republic to export most of its resources abroad to foster economic growth in the region, the republican administration was faced with a potentially baffling economic riddle. How could this resource dependent, under- developed region exploit its geographic proximity to external markets for the republic's own benefit under the ever-changing federal context?[356]

Karelia's economic wealth is derived from two major sources: the timber industry and mining,[357] both of which are very attractive industries for prospective foreign investment which makes them the major focus of the republic's economic policy:[358]

The post-Soviet economic command and control bureaucracy was inherited by Petrozavodsk after the collapse of Soviet power in 1991. Up to the beginning of 2000, the major firms involved in the export of the republic's resources were under the control of the republican administration and fell outside the system of vertical control over strategic resources held by Moscow.[359] However, with the economy's predisposition to exporting natural resources, the city's remaining industries were

[355] Vladimir Gel'man, "Petrozavodsk: Resource Displacement and Limited Consensus" in Vladimir Gel'man, S. Ryzhenkov, E. Belokurova, and N. Borisova (eds.), *Autonomy or Control: Reform of Local Authority in Russia's Cities 1991-2001* (in Russian) (St. Petersburg: Summer Garden, 2002), pp. 229-276
[356] ibid., p. 233
[357] ibid., p. 236
ibid., p. 237
[359] Vladimir Gel'man, "Petrozavodsk: Resource Displacement and Limited Consensus" in Vladimir Gel'man, S. Ryzhenkov, E. Belokurova, and N. Borisova (eds.), *Autonomy or Control: Reform of Local Authority in Russia's Cities 1991-2001* (in Russian) (St. Petersburg: Summer Garden, 2002), pp. 229-276 (p. 238)

highly unprofitable, especially those involved in the heavy manufacturing sector. The republic's major profitable enterprises factories are located outside the capital in the surrounding cities: plants such as Kondopoga, Segezhkii TsBK, Karelian Coil, and Nadvoitskii Aluminium.

At the basic level, the republic's major firms were more or less the centre of economic activity for the cities in which they were based. In company towns such as Kostomushka, the factory is responsible not just for its own economic production, but also for maintaining the city's social services and public works. Being at the core of the city's economic and social existence allows the firm a high degree of political autonomy regarding the company's and the city's economic social and political interests at the municipal and republican level. This central position in the allocation of public services to the surrounding population had ramifications for the political and economic structure of the republic.

Possibly owing to their need to maintain levels of employment as well as the level of economic and social services, companies were reluctant to go ahead with privatisation. Although the companies wanted to relieve themselves of their additional social and economic burdens, they received trade-offs for their continued social and economic support of the surrounding municipality. Firms were granted soft budget constraints within the republican economy by the republican administration.[360] These soft constraints provide some financial leeway in terms of firms' capacity to maintain existing numbers of employees. Companies thus avoided the painful processes such as managerial restructuring, rationalising production and improving the financial integrity of the enterprise. Politician also reaped the benefits: with continued social support for the population, political dissatisfaction with the republican administration's policies was not registered at the polls or within society itself.

This put the status of the capital city as well as the republican elite in a very tricky situation in terms of establishing and legitimising their control over the republic's resources. As the centre for the republican administration, Petrozavodsk was the unquestionable political capital of Karelia, having all the major administrative apparatus, including both the mayor's administration and the republican legislative, judicial and executive branches within its borders. However, in terms of budgetary contributions, Petrozavodsk was not the major source of funds for republican coffers. The cities of Kondapoga and Kostomushka poured more resources into the republic's finances than Petrozavodsk per capita.[361] The paradox of a sub-optimal, cost benefit distribution system limited the republican administration's options regarding how to consolidate its hold over Karelia.[362]

As we have already seen in the historical background of the republic and the country as a whole, economic and political control was subordinated to the centralised control of the party hierarchy based in Moscow. This amalgamation of interests made regional factory owners political actors in their regions because there was one source for the resources needed to run their firms, the central planning commission. If they wanted to act on behalf of their economic prerogatives, actors had to be in a comparable status in the political hierarchy. This highly muddled system of political and economic power in the hands of a few crucial actors translated itself all the way down through the republican level to the municipalities themselves. Boss politics, in which a few actors are directly responsible for the livelihood of their constituency instead of relying upon a set of bureaucratic institutions to set the rules of administering society's needs, dominated the Soviet landscape.

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[360] Evidence from the republic suggests that in the early 1990's relatively economically powerful cities like Kostomushka and Petrozavodsk paid lower levels of taxes than the surrounding, poorer localities. For more information see Juhani Laurila ,"The Republic of Karelia: Its Economy and Financial Administration" *Review of Economies in Transition* Bank of Finland Institute of Economies in Transition BOFIT No. 8 (1994), pp.1-73

[361] Vladimir Gel'man, "Petrozavodsk: Resource Displacement and Limited Consensus" in Vladimir Gel'man, S. Ryzhenkov, E. Belokurova, and N. Borisova (eds.), *Autonomy or Control: Reform of Local Authority in Russia's Cities 1991-2001* (in Russian) (St. Petersburg: Summer Garden, 2002), pp. 229-276 (p. 238).

[362] ibid p 239

The leadership of the Karelian Republic under Stepanov was faced with the task of reconstructing consensus among the remaining bosses of the region in order to prevent a total collapse of the system along with legitimising the degree of their own political power their political longevity and maximising economic control. In order to establish a consensus among actors within the region, and only then consolidate their control over the republican itself, elites adopted two different approaches. For his part, the first regional head of the Republic of Karelia chose to allow for more autonomy within the institutional structures of the region's bureaucracy as well as control over the economy. In the specific case of Karelia, the first elite grouping to coalesce into a ruling coalition had to build consensus from a much diversified palette of republican-level economic, social and political interests before it could deal within the newly forming federal framework with Moscow. [363]

Stepanov's regime was faced with an unprecedented situation in which there existed the potential to disrupt the former nomenklatura's hold over the republic's political, social and economic affairs. The collapse of the Soviet Union left Stepanov and the rest of Karelia's elite with control over the remaining bureaucratic network which under a centralised form of government was responsible for comprehensive control over almost all facets of affairs in the region. Their main task was to form, as quickly as possible, a consensus-based, legitimised form of administrative leadership in Karelia before interest competition grew out of their control. By 1993, the republican elite under Stepanov chose to deal with the economic and political crisis gripping the region by mirroring Yeltsin's decentralisation strategy. By passing on more decision-making authority to the localities, the republican elite would be more legitimate in the eyes of local constituencies due to the pace and efficacy and proximity at which socio-economic and political reforms could be undertaken. [364]

Despite the urgency of the situation in the republic, complete collapse of the previous elite did not take place. Given the loosening of central party authority and the increasing possibilities for actors' agency in interest competition in a more diversified institutional environment, if a consensus was to be forged among competing elites, it would have to be much more inclusive of a diversified set of municipal, regional and federal interests. On the other hand, first as Petrozavodsk's mayor, then as regional governor himself, Katanandov chose to establish a traditional political machine and reneged on the autonomy platform in favour of centralised control over political and economic life in the republic.[365]

Since 1998, the relations between the republic's major companies and Katanandov's republican administration have been mutually beneficial: major companies partially due to their social contributions to municipal services, partially due to their proximity to power pay less tax than foreign firms attempting to conduct business in the region.[366] Despite the obvious social role the

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[363] ibid. pp 229-230

[364] ibid. p. 230

[365] It is difficult to pinpoint the motivations behind Katanandov's comments. It may be said that Katanandov was looking to justify his own republican economic policies by noting the similarities with those espoused by the presidential administration under Prime Minister Kasianov in Moscow.
See Oleg B. Aleksandrov, "The Role of the Republic of Karelia in Russia's Foreign and Security Policy" in *Regionalisation of Russian Foreign and Security Policy* Working Paper No. 5 (Zurich: ETH Zentrum, 2001), p. 20 available at
<http://www.isn.ethz.ch/pubs/ph/details.cfm?click52=106537&v21=106904&click53=106904&lng=en&v33=106537&id=325>; accessed on 09.10.2007

[366] Early in the 1990s local taxation policy was determined by both republican and municipal authorities. Tax rates for the more productive regions were much lower (3-10 percent) than for agricultural based, poorer municipalities (approximately 40 percent). This could be due to the size of the tax base in the regions (agricultural municipalities having smaller populations than industrial towns). This phenomenon could also be attributed to tax evasion and non-payment issues as well. For more information see Juhani Laurila ,"The Republic of Karelia: Its Economy and Financial Administration" *Review of Economies in Transition* Bank of Finland Institute of Economies in Transition BOFIT No. 8 (1994), p 59 and Dmitri Zimin, *Russian Karelia: Future Scenarios to 2015* as published at

companies play in their communities, this symbiotic relationship between the republican administration and business produces a high level of mutual dependence between business and politicians.

The burden on major firms to contribute to Republican coffers remained small, while the republican elite garnered political legitimacy through their ability to stabilise the economic and political situation in the republic without too much cost to the firms, themselves or the voting public. [367] However, for society as a whole, the business bureaucracy axis is not as beneficial, especially in terms of quality of social services offered over time. Expected levels of foreign direct investment have not fulfilled expectations, public sector investments are minimal, and workers are either unemployed or leave Karelia for better job prospects elsewhere in the Russian Federation.

External Dynamics: Political and Economic Relations with Moscow

The internal aspects of economic development in the republic of Karelia were influenced not only by the specific structure of the region's economy, but also by the republican leadership's perceptions of how best to achieve their economic and political goals. Owing to the region's reliance on the federal centre for financial concessions and Karelia's own responsibilities in terms of the federal system itself, the republic's economy developed not in a vacuum, but in coordination and opposition to the economic and political interests of the federal government in Moscow. With wholesale institutional changes taking place at the federal level in 1991, Petrozavodsk's position was not only tenuous in the republican scheme of things, but was ill-defined in respect to the federal level due to the failed 1991 coup that eventually toppled the Soviet state. The collapse of the Soviet state led to both economic and political decentralisation. The distribution of public goods to the regions, the subject of regions' degree of financial responsibility to the federal budget as well as loyalty to the central elite all became important factors in the construction of the Russian federal arrangement.

In October 1993, the remaining institutional vestiges of Soviet executive power were being fought over by the legislative and executive branches of the Russian federal government in Moscow. The fight over who would control how the country was to be governed in the new institutional context had direct implications for the local leadership in Karelia. Attempting to ascertain why specific judgements were made in the subsequent course of events would be very difficult in large part because the decisions to follow a specific course of action were not made according to institutional norms or established strategies. The existence of a complete power vacuum in the autumn of 1991 brought about by the parliamentary crisis forced actors to depend on their political instincts. Institutional chaos therefore rules out any possibility of determining by quantifiable means just why certain decisions were made without access to specific personal data of the actors involved. Still, one can speculate on the basis of the political, economic and social conditions of the time that may have influenced a specific actor's decision-making calculus.

Under Stepanov, the republican leadership decided to side with the parliament against the executive branch in the "division of powers battle" in Moscow. In then end, the republic backed a losing horse. The position of the parliament concerning greater autonomy for the regions in their economic, political and social obligations to the federal centre mirrored Stepanov's own republican political platform. More autonomy obtained from the federal centre would provide more leeway for

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<http://www.hse.fi/NR/rdonlyres/3E2CC9E0-FA16-4E6D-8778-51BD8926F9C9/0/Karelia_in_2015.pdf> accessed on 09.10.2007

[367] Dmitri Zimin, *Russian Karelia: Future Scenarios to 2015* p. 4 as published at <http://www.hse.fi/NR/rdonlyres/3E2CC9E0-FA16-4E6D-8778-51BD8926F9C9/0/Karelia_in_2015.pdf> accessed on 09.10.2007

regional elites to proceed with consolidating their power within their fiefdoms with less interference from Moscow.

In supporting the parliament in the October crisis, Stepanov backed himself and the republican elite into a difficult position regarding Moscow and threatened the very existence of his own republican powerbase. It may be speculated that Stepanov's move to de-centralise republican decision-making was a utilitarian strategy which traded increased political power at the republican level for more political legitimacy in the eyes of the localities, thus making it more difficult for the federal centre to undercut Stepanov's negotiating position vis-à-vis Moscow. [368]

The strategy worked in terms of its effectiveness in preserving the regional elite's newly consolidated power in the republic as well as justifying the republican administration in line with the prevailing interest of the federal centre.[369] However, the republican powerbase was highly diversified and actors expected their benefits in the form of increased economic and political diversification within the newly hammered-out republican administrative framework. [370]

For his part, Katanandov, possibly not wanting to make the same mistake as Stepanov had in 1993, tried to associate himself with the winning side in federal elite power struggles. He first enlisted the support for his candidature of "Our Home is Russia", headed by Chernomyrdin, in the republican gubernatorial elections in 1998. He then switched his allegiance to the Fatherland Party of Shamiev, Luzhkov and Primakov in the run up to the 2000 presidential elections. Finally when it became clear that Putin would remain in the country's highest office, Katanandov switched again to support Putin against the Primakov, Luzhkov and Shamiev coalition. Unlike his predecessor, Katanandov puts a high value on political loyalty to the centre regardless of the government's policies and their suitability to the interests of the republic. It seems that his behaviour regarding his administration's relations with Moscow are built to ensure Katanandov's survival at the top of Karelian politics.

Whether the republic's administration is at odds with the centre's federal strategy, as was the case with Stepanov, or it is completely loyal to the powers that be in Moscow, as it seems to be under Katanandov, the Karelian republic has not been able to translate economic advantages into political leverage. The federal centre's ability to provide public goods to Karelia as well as regulating natural resources such as timber at the federal level may have something to do with Karelia's relatively weak political position towards Moscow.

Under both the Stepanov and the Katanandov regimes, the republican leadership had to be united against the possibility of predatory policies from the centre. Although the republic had been granted extensive leeway in terms of the management of its financial resources, investment policies and foreign investment strategies, financial sovereignty was limited by the republic's dependent economic status in relation to the rest of the federation.[371] Following the economic agreements with Moscow signed in 1991 and 1993 the region's main resource, timber, has been earmarked for export and is generally too expensive for Russia's domestic market compared with timber cut in other regions.[372] While the region's resources find their ways to international markets, the

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[368] Vladimir Gel'man, "Petrozavodsk: Resource Displacement and Limited Consensus" in Vladimir Gel'man, S. Ryzhenkov, E. Belokurova, and N. Borisova (eds.), *Autonomy or Control: Reform of Local Authority in Russia's Cities 1991-2001* (in Russian) (St. Petersburg: Summer Garden, 2002), pp. 229-276 (p. 241).
[369] ibid., p. 242
[370] ibid p. 250
[371] Dmitri Zimin, *Russian Karelia: Future Scenarios to 2015* p. 6 as published at <http://www.hse.fi/NR/rdonlyres/3E2CC9E0-FA16-4E6D-8778-51BD8926F9C9/0/Karelia_in_2015.pdf> accessed on 09.10.2007
[372] ibid p 7

republican economy's dependence on the federal centre's distribution capacity increases further because of its inability to feed its population. [373]

It is also interesting to note that Karelia is energy deficient. According to some estimates, the republic produces only 50 percent of the energy that industry and the general population need for economic production and general consumption; the rest of the energy demand is filled by imports of electricity and hydrocarbons from other regions in the federation. Under such conditions, Moscow's ability to set prices for more public economic goods such as energy also increases Karelia's dependence on federally based, industrial monopolies.[374]

Karelia relies heavily on Moscow for its economic survival, despite the financial advantages that the Yeltsin administration afforded the Stepanov regime in the early 1990s. [375] This economic dependency may have political ramifications for the republican government. Despite Stepanov's very public opposition to the shelling of the parliament by Yeltsin in 1993, the federal centre was in too weak position vis-à-vis the regions to do much about their political opposition to the removal of the legislature by the executive branch. However, after the financial collapse of 1998, the political fortunes of the centre changed significantly so that the federal elite regained some leverage over the regions. In consequence, "a regional leader's loyalty or lack of loyalty to the president of Russia is an unofficial criterion for influencing the standing of the region."[376]

Karelia has not been unaffected by this trade-off of loyalty to the Kremlin in return for "the access of regional leaders to presidential structures and the ability to solve the region's problems in the corridors of federal power".[377] When Vladimir Putin was elected in 2000, Karelia with Katanandov's urging completed a volte-face in terms of its political relations with Moscow. Republican legislation that fell outside the bounds of federal law was amended. The republican constitution was also changed in order to fall in line with the Russian Federation's own fundamental laws. For example:

> While Article 7 of the current version of the Constitution of the Republic of Karelia, for example said that the status of the Republic of Karelia could not be changed without its consent, Article 2 of the draft constitution states that the status of the Republic of Karelia is determined by the Russian Federation and the Constitution of the Republic of Karelia.[378]

The switch in the republic's position towards the federal centre has many explanations. However, the most plausible one for the moment according to the evidence provided is that Katanandov indeed felt that his political fortunes were best served by sticking close to the political preferences of the federal centre in terms of sovereignty thus making it more likely for the Republic of Karelia to benefit from the revitalised Kremlin's good graces.

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[373] See Juhani Laurila ,"The Republic of Karelia: Its Economy and Financial Administration" *Review of Economies in Transition* Bank of Finland Institute of Economies in Transition BOFIT No. 8 (1994), p. 67

[374] Dmitri Zimin, *Russian Karelia: Future Scenarios to 2015* p. 13 as published at <http://www.hse.fi/NR/rdonlyres/3E2CC9E0-FA16-4E6D-8778-51BD8926F9C9/0/Karelia_in_2015.pdf> accessed on 09.10.2007

[375] While Karelia was a donor region in the Soviet Union, the republic turned into a subsidised region as soon as the reforms began and the economic links with the CIS countries were disrupted. In the mid 1990s, Karelia received up to one third of its budget in the form of subsidies from the federal centre. See Oleg B. Aleksandrov, "The Role of the Republic of Karelia in Russia's Foreign and Security Policy" in *Regionalisation of Russian Foreign and Security Policy* Working Paper No. 5 (Zurich: ETH Zentrum, 2001), p. 37 available at <http://www.isn.ethz.ch/pubs/ph/details.cfm?click52=106537&v21=106904&click53=106904&lng=en&v33=106537&id=325> accessed on 09.10.2007

[376] ibid., p. 37

[377] ibid.

[378] ibid., p. 38

Linking Karelia to the Russian Federal System: Financial Transfers

During the redistribution of political and economic power in the Russian Federation under Yeltsin, the country's economic heterogeneity was as much a concern for the federal elite as was maintaining the balance amongst the country's various ethnic groups. In order to maintain the public sector ties between Moscow and the regions, a system of financial transfers was instituted; whereby budgetary contributions through taxation would be transferred to the federal budget and then redistributed to the regions according to the regions' fiscal needs.[379] According to previous scholarly treatments of the issue,[380] there is some doubt as to whether the system was orientated to deal with specific economic[381] difficulties experienced in the regions or was cynically employed by the centre to garner regional support in times of political or economic crisis at the federal level.[382] It can be said, though, that despite the ambiguity surrounding the form, frequency, amount and the identity of recipients of the transfers, the general idea was "to promote orderly economic management of the regions".[383]

In a report issued by the Bank of Finland, financial transfers during fiscal years 1996 and 1997 to regions in the North and Northwest of Russia were scrutinised to identify the major explanatory factors behind the apportionment of federal financial assistance. Through the application of simple regression analysis, an attempt was made to clarify why some regions in the sample received substantial amounts of federal budgetary transfers despite their economic wealth (St. Petersburg), the presence of hydrocarbons (Komi and Nenets), or relative social and economic poverty (Pskov, Novgorod). Two cases, Murmansk and the Republic of Karelia, were unique in that they displayed various degrees of the influences listed above, but not to such an extent that it would have been possible to determine outright which of the factors was in fact the determining influence.

In 1996, Karelia received 436.76 million roubles in total from the federal government, close to 20.8 percent of total transfers made to the republic. In terms of cash transfers from the federal Fund for Financial Support for the Regions (FFSR), Karelia received 335.29 million rubles in 1996 and 349.74 million rubles in 1997. These figures represent 13.1 percent and 14.0 percent of the republic's revenues for the corresponding years. Compared with impoverished regions such as Pskov (620.08/43.5 percent, 479.33/33.6 and 254.96/17 percent) and wealthy regions such as St.

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[379] According to Solanko, data collection concerning federal-regional budgetary relations was complicated not only through issues of general economic malaise and non-payments of taxes to the centre, but to the existence of extra budgetary funds which existed at all levels and fell outside the scope of official statistics. Also the forms that transfers may have taken were numerous such as loans, grants and specific subventions and sometimes were non-monetorised such as the retention by the regions of a percentage of VAT or transfers of control over regional assets to the federal government. See Laura Solanko, "Regional Budgets and Intergovernmental Transfers in Russian North and Northwest regions" Bank of Finland Institute of Economies in Transition BOFIT Online No. 6, (1999), pp. 1-29 available at <http://www.bof.fi/bofit_en/tutkimus/tutkimusjulkaisut/online/1999/bon0699.htm> accessed on 09.10.2007.

[380] Other scholars doubt the explanatory value of previous treatments of the transfer issue in federal arrangements due to the lack of focus on the federal centre as an individual actor with specific economic and political interests that may differ from and in some cases depend upon those of the regions. According to Treisman (1999 and 2006), the effect of transfers on the level of decentralisation in federal arrangements cannot be properly conceptualised without including a specific role for the interests of the federal centre. Nevertheless, even when the federal centre's interests and resources are written into the model, the purposes and outcomes of an asymmetrical system of financial transfers is ambiguous. See Daniel Treisman, "Political Decentralisation and Economic Reform: A Game-Theoretical Analysis", *American Journal of Political Science,* Vol.43, No. 2 (1999), pp. 488-517 and Daniel Treisman , "Fiscal Decentralisation, Governance and Economic Performance: A Reconsideration", *Economics and Politics* Vol. 18, No. 2 (2006), pp. 219-235

[381] Laura Solanko, "Regional Budgets and Intergovernmental Transfers in Russian North and Northwest regions" Bank of Finland Institute of Economies in Transition BOFIT Online No. 6, (1999), pp. 1-29 available at <http://www.bof.fi/bofit_en/tutkimus/tutkimusjulkaisut/online/1999/bon0699.htm> accessed on 09.10.2007.

[382] ibid., p. 5

[383] ibid., p. 14

Petersburg (59.8/3 percent, 50.41/1.7 percent, and 27.4/1 percent) the amount of Karelia's transfers in economic terms seem reasonable from a policy point of view.[384]

According to the same analysis, the social and political factors were also accurate in terms of Karelia's socio-economic status within the Russian Federation and political support for the federal centre. Overall, less developed regions with high support for political opposition forces, especially communists received the larger sums of transfers from the centre.[385] Taking into account Karelia's income per capita and moderately high level of political support for Yeltsin in the 1996 presidential elections (66.24 percent), Karelia's transfers can be explained mostly by economic dependence on the federal centre.

The Legal Battle over Resources: Karelian Forests

One of the factors that would seem to be in the republic's economic favour is the natural resources located on Karelia's territory. The republic's major natural resource is its forests, with 80 percent of the republic's territory covered by large tracts of timber stocks.[386] The development of the republic's timber resources has been a high priority in both the Stepanov and the Katanandov regimes. The extent to which the forestry industry is at the heart of the region's political, social and economic life is evidenced by the republican administration's dealings domestically within the republic itself, at the federal level with Moscow, and internationally with Nordic firms interested gaining access to and investing in the region's forestry sector. Despite the obvious central economic role attributed to the timber sector by both administrations, a simple yet significant political question in terms of the resource's legal status was left unanswered at both the republican and the federal level after the fall of the Soviet Union who is responsible for the development and maintenance of the countries forest resources? [387]

Despite direct control over specific plots of the timber crop,[388] Karelia's forestry industry still must answer to the relevant federal ministries in Moscow. Under the auspices of the Russian federal government, the Federal Forestry Service (FFS) is responsible for developing and implementing nationwide forest management policy. The FFS is also responsible for the preparation and nationwide as well as international coordination of Russian forest legislation. Synchronisation between relevant players in the forestry industry, including the federal and Karelian governments, and their respective forest ministries takes place between the FFS and the Karelian State Forest Committee. The main legislation regulating management of Russia's timber industry is the federal

[384] ibid., p. 17
[385] ibid., p20
[386] Tomila Lankina, "Karelians Denounce Federal Forestry Reforms", *Russian Regional Report*, Vol.11, No. 5 (2006) available at <http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=15264> accessed on 09.10.2007
[387] The liberalisation of economic functions and privatisation took place in a legal vacuum. The immaturity of institutional structures underwrites the acceptance not of complementary, but, more realistically, contradictory legislative acts. The most obvious example is that of legislation regarding the forest industry. Adopted in 1993, "Basic Forest Legislation" ignored the most crucial constitutional question – who owns the forests. Subjects of the federation (in this case Karelia) took on the responsibility and interpreted the problem in their own ways. The regional legislation regarding Karelian forests delineated a high degree of control over to local administrative bodies. See E. Nemkovich, A. Tsykuka, and A Shishkin: *The Forestry Production Complex of the Republic of Karelia* (in Russian) (Petrozavodsk: Petrozavodsk State University Press, 2000), p 112.
[388] Karelia's timber industry is controlled at the local level by 38 state-managed enterprises, working within areas known as forest districts which are themselves broken down into smaller administrative units. This whole system is overseen by the Karelian State Forest Committee which reports directly to the republican government. See Minna Piipponen, *Transition in the Forest Sector of the Republic of Karelia* Interim Report IR-99-070 IIASA (1999), pp. 1-72, available at <http://www.iiasa.ac.at> accessed on 09.10.2007

Forest Code. However, each region also may possess its own legal statutes controlling their own forest resources as long as these laws are not in conflict with federal codes.[389]

The problem surrounding the ownership of the Russian Federation's forest resources is a result of conflicts at the heart of Russian natural resource legislation. The wording of two major documents that form the foundation of the Russian Federal system supports contradictory positions regarding the status of ownership and degree of control over natural resources among the regions and centre. The legally defined spheres of regional and federal competency are not clearly delineated. According to the 1992 Federation Treaty, natural resources belong to the people who reside on the territory where those resources are found; however, the Russian Constitution of 1993 provides legal control over natural resources to both the centre and the regions.[390] Shared responsibility between Federal and Regional levels is reflected in the budgetary politics of the sector itself. The federal authorities set the base price for the timber and then the republican authorities add their own fees to the set price. Resource management is also an area of overlap of federal and regional competencies. Profit sharing between the federal and regional authorities is also the norm. The Karelian administration controls 60 percent of proceeds, while the rest goes to federal coffers.[391]

Exacerbated by pressures to meet the demands of economic reform and improve financial fortunes in the regions, the forestry legislation issue came to a head in 1996. During a session of the Federation Council addressing a new rendition of the Forestry Code just passed by the lower house of the Russian parliament, the State Duma, regional leaders wrestled with the question of natural resource ownership which under the existing legislation left the question wide open to various forms of legal interpretation. [392]

The new version of the forestry code sought to provide the federal centre with more control over the country's forests. For his part, Stepanov, as Karelia's representative to the upper house of the Russian parliament, argued for the maintenance of regionally based management of republican natural resources.[393] The two positions were irreconcilable. It was suggested that the issue could be handled on a case by case basis through the negotiation and signing of bilateral agreements with each of the timber producing regions, but to no avail. Citing the contradiction in the 1996 Forestry Code over ownership of natural resources with the Russian Constitution, Stepanov, with support of the leadership from Khaborovsk Krai, another region dependent on the forest industry, took the issue of ownership to the Constitutional Court of Russia. The court found in favour of federal authorities citing that the new code was not in violation of the Russian Constitution.[394]

Despite the Court's decisive ruling in the economic and political interests of the federal centre, the core concept of jurisdiction over the forest sector remains vague. The result of the unresolved legal wrangling has been the continuous reworking of the Russian Federation's forestry code.[395] Katanandov's administration has not deviated from the path set by Stepanov. Although he has been less vocal than his predecessor, Katanandov has followed Stepanov's lead and made the forestry

[389] ibid., p 16
[390] See "Court Rejects Regions' Appeal on Forest Resources" in *RFE/RL Newsline* 13 January 1998 as published at http://www.rferl.org/newsline/1998/01/1-RUS/rus-130198.asp
[391] Minna Piipponen, *Transition in the Forest Sector of the Republic of Karelia* Interim Report IR-99-070 IIASA (1999), p. 17, available at <http://www.iiasa.ac.at> accessed on 09.10.2007
[392] See Minna Pappila, *The Russian Forest Sector and Legislation in Transition* Interim Report IR-99-058 IIASA (1999), pp. 1-37 (p 8) available at <http://www.iiasa.ac.at> accessed on 09.10.2007
[393] See Steven .L. Solnick, *Russia's Asymmetric Federation: Are all Differences Alike?* (New York: Columbia University, 2000)
[394] Minna Pappila, *The Russian Forest Sector and Legislation in Transition* Interim Report IR-99-058 IIASA (1999), pp. 1-37 (p 8) available at <http://www.iiasa.ac.at> accessed on 09.10.2007
[395] See "New Forestry Code Seeks to Centralise Power" in *Russian Regional Report* vol. 9, no. 3 10 March 2004 and "Karelians Denounce Federal Forestry Reforms" in *Russian Regional Report* vol. 11, no. 5 13 February 2006 as published at http://www.isn.ethz.ch/news/rrr/

industry a core cog in his electoral platform, presenting a specific set of goals and mechanisms dedicated to retooling the region's timber industry in order for the sector to contribute to the region's budget and social development.[396] However, Katanandov's plans for the forest industry mirror his paternalistic economic and social development model where large firms control the vast amount of the resource base and allow smaller companies to harvest the crop without much institutional transparency or oversight.[397]

The negative results of Katanandov's state-sponsored development aside, Katanandov's position also differs on the contentious point of federal control over the forests. He has resigned himself to the idea that the federal centre has already recentralised this control. Still, he is attempting to make the best out of a bad situation by arguing for social responsibility on the part of enterprise owners towards the local community in a bid to maintain budgetary flows from the corporate sector to the public administration.[398]

The ambiguous status of ownership and management of public goods in both the Federation Treaty of 1992 and the Russian Constitution of 1993 has set a precedent for legal challenges to apportion jurisdiction over natural resources in the country. Without fundamental definitions of ownership and control, regions such as Karelia that were counting on their forests for desperately needed income for their budgets perceived any shift in control to the federal centre as predation by Moscow elites. For its part, Moscow's position could be perceived as an attempt to rationalise control over natural resources to prevent rent-seeking behaviour by the regions and international actors.

The lack of a constitutional pronouncement (Level I Federal Law) regarding ownership of the forest as a natural resource has had vast implications for the industry at the local, regional and federal levels. Legal loopholes have provided the opportunity for political and economic actors to extract rent from the control over and exploitation of the Russian Federation's timber resources. The lack of a viable institutional framework in the industry has made it more difficult to attract foreign investment beyond that of resource export sectors, thus retarding the upgrading and expansion of associated value added industries such as paper manufacturing and printing. Without substantial liquid capital to manage the timber stock and upgrade existing production facilities and infrastructure, resources are wasted and both the economy and the environment suffer. Establishing clearly defined legal and institutional ownership of public goods that form the foundation for economic recovery and social development is an issue, to which the Russian Federation and its constituent units have yet to identify an effective, workable solution.

The Economic Factor: International Dynamics

Just taking a glance at the map of Russia introduces an important feature to the relations between Petrozavodsk and Moscow: that of the shared border with the EU. Karelia abuts Finland to the west. As already discussed above, the historical relationship between Finland and Karelia goes back hundreds of years. Ethnic ties between Finland and Karelia underwrite economic links.[399]

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[396] See (1999 and 2000) *The Rebirth of Karelia: A Concept for Economic and Social Development 1999-2002-2010* Petrozavodsk p 48

[397] Dmitri Zimin, *Russian Karelia: Future Scenarios to 2015* p. 5 as published at <http://www.hse.fi/NR/rdonlyres/3E2CC9E0-FA16-4E6D-8778-51BD8926F9C9/0/Karelia_in_2015.pdf> accessed on 09.10.2007

[398] See "New Forestry Code Seeks to Centralise Power" in *Russian Regional Report* vol. 9, no. 3 10 March 2004 as published at http://www.isn.ethz.ch/news/rrr/

[399] Oleg B. Aleksandrov, "The Role of the Republic of Karelia in Russia's Foreign and Security Policy" in *Regionalisation of Russian Foreign and Security Policy* Working Paper No. 5 (Zurich: ETH Zentrum, 2001), pp. 20, 22 available at

The importance of economic ties to the outside is also underlined by Moscow's concessions to the republic early in the 1990s, which provided Karelia with the power to deal directly with foreign-based companies and states to hasten the development of the republic's economic and political status. Again, Finland occupies the lead position in terms of foreign direct investment in the republic, accounting for investment in 236 out of 410 (58 percent) firms with foreign partners, and is the republic's main trading partner, responsible for 32.5 percent of the republic's exports and 30.5 percent of Karelia's imports.[400] Besides Finnish involvement in the republic's economy, major Russian firms with international connections have financial interests in Karelia. Outside the forest sector companies representing interests in steel production, oil and gas transit and refining and also metal and coal mining, are all present in one form or another in the republic. One surprising actor in the regional economy is Russia's Almazy Rossii-Sakha (Diamonds of Russia and Sakha).[401]

It would seem, then, judging by the data above, that Karelia is very successful in attracting both domestic and international sources of financial investment into the republican economy. However, Karelia performs below average in terms of its investment rating in comparison with other subjects of the Russian Federation (59th out of 89) although it performs better in terms of levels of investment risk (31st out of 89).[402]

Although a significant feature of the historical relations between the two countries, trade between the USSR and Finland had been disrupted due to the military conflict over Karelia in the 1930's and 1940's. However, ten years after the end of World War II, economic relations were re-established between the two states. The Republic of Karelia was a direct benefactor of renewed economic cooperation between the two states. The construction of the integrated mining works in Kostamushka began in 1977 with the help of Finnish firms and was completed in 1985.[403]

Besides specific examples of the international involvement in the republic's economy, Alexandrov has identified two periods in which Karelia's economic ties abroad have been nurtured since the collapse of the Soviet Union.[404] The first period begins directly after the establishment of the Russian Federation. From 1991 to 1993, Karelia, provided with the right to pursue foreign contacts directly without the involvement of Moscow, was allowed to pursue its own external policy that included not only economic activities, but development projects with regional actors such as the European Union through the EU's border cooperation and TACIS programmes. Despite the increased international activity of the republic, from 1994 to 1998 Karelia's economy continued to decline; total investments in the region totalled approximately 4.3 million USD.[405]

Following the 1998 election campaign, the region's economic and political fortunes began to change. The second phase of foreign investment was characterised by marked improvement in the regional economy. Foreign Direct Investment numbers increased significantly in 1999, reaching a level of 15 million USD.[406] On the other hand the republic's autonomy was curtailed following Putin's accession to the prime minister's office. The right to pursue such international programmes by the republic had been granted by the Yeltsin administration as part of the concession package to the region in the early 1990s, and the prerogative to seek out foreign ties outside the competencies controlled by Moscow was guaranteed by the republican constitution. As in the case with the forest

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<http://www.isn.ethz.ch/pubs/ph/details.cfm?click52=106537&v21=106904&click53=106904&lng=en&v33=106537&id=325> accessed on 09.10.2007

[400] ibid.

[401] ibid., p. 17

[402] ibid., p. 20

[403] ibid., p. 20

[404] ibid., p. 32

[405] ibid.

[406] ibid.

industry, such republican constitutional statutes were in violation of those governing foreign relations set out in the Russian Constitution. Under the Putin administration, such legal anomalies have been removed.

Besides the curtailment of the republic's ability to forge an international economic and political profile outside the auspices of the Russian Ministry of Foreign Affairs, Karelia's geographic position has caused problems between the republic and the federal centre again in regard to the provision of necessary public goods. In this case, the public good is that of the logistics of the international border. Services such as customs and border security are goods that are usually the prerogative of the federal bureaucracy in a federal system. Other points of contention include Russia's vague or non-existent position concerning international financial institutions or regional cooperation and development programmes such as the EU's Northern Dimension. Each issue touches upon both federal and region interests. However, without a corresponding division of labour between the regions and the federal centre, policy coordination between the relevant actors can be a nightmare, resulting in projects progressing to a limited degree. [407]

The opening up of the republican economy to federal level economic interests and foreign influence, especially on the part of Finland, as foreseen by the Yeltsin administration, was and remains a highly problematic topic for both republican and federal elites. From the economic point of view, with the issue of public goods ownership still unresolved, the basic rules of the game, including whose right it is to lease forests to foreign companies, are left to squabbles between the federal centre and the regions themselves. This makes for a very unstable and opaque investment climate which has difficulty in attracting and then maintaining substantial levels of foreign direct investment.

From the political side of the coin, economic ties with the outside would bring about demands on the regional elites to open up the bureaucratic system, making it more transparent and in line with international standards of fiscal management, bureaucratic administration and political accountability.[408] These pressures to liberalise the decision-making process could form a direct threat to the elite's highly integrated economic and political powerbase. In an attempt to preclude such a scenario, a move to centralise political control over the diversified economic sector sought to limit the number of actors with influence over the political, economic and social life of the republic.

Conclusions: Levels of Consensus amongst Elites

The main premise of this thesis is that a federal system of government is composed of several layers of elites whose main motivation for maintaining their position within the federal institutional structure is the maximisation of their political power and economic wealth. What differentiates a federal system of governance from the decision-making structure in a unitary state is not the multitude of groups and interests represented within the state and society, but the ability with which these competing elite groupings can gain access to and exploit various resources to construct their own powerbases vis-à-vis the central authorities at various levels of the federal system.

The four instruments that the hypothesis identifies as crucial to the construction of these elite powerbases are clearly on display in the Karelian case study. The results produced by applying the model are intriguing, not because they confirm the model's explanatory power however. Instead, it is the "mix" of the four independent factors at specific periods as well as their shifting degrees of influence over time that seem to be a determining factor in federal – regional elite relations in the

[407] ibid., p. 31
[408] Ibid., p. 235

Russian federal system. Although all four factors are present in the Karelian case, the results point out that influence of the four independent factors varies over time and it is difficult to pin point at just what juncture a certain factor was the one that defined the region's relationship with Moscow.

Domestic Dynamics: Regime Consolidation in Karelia: Stepanov and Katanandov

In the case of Karelia the responsibility for organising the region's economic development has clearly shifted from an ethnically based elite during the early Soviet times owning to both external and internal legitimacy considerations, to a centralised, rational political – economic bureaucratic model which lasted until the late 1980s. Under Gorbachev, ethnicity became an organising factor once again in some regions, but not in Karelia despite the collapse of centralised bureaucratic command and control systems at the centre of federal power in Moscow. Why? Legal bureaucratic powerbases still dominated the political and economic landscape in the regions. Elites that survived the demise of the Communist Party organs still relied upon them to remain in control of the decision-making, communication and industrial production means at their disposal. It appears that the degree to which the regional elite were able to maintain control over the powerbases bequeathed to them in the aftermath of the fall of the Soviet Union could be a main factor in determining who possessed a stronger position in federal – regional bargaining games.

Contrasting the methods by which Stepanov and Katanandov consolidated their control over the region's economic resources demonstrates several important factors. The two leaders shared common links with the former elite in the republic, the republican communist party nomenklatura. Both leaders formed coalitions from the highly diverse and particularly independent economic actors as well as the bureaucrats within the republic's administrative institutions. While it is hard to assess the outcomes of the specific economic aspects of the republican level consolidation processes, a distinct methodological difference can be observed in terms of just how economic consolidation was achieved: inclusive versus exclusive. In order to legitimise his position in power, Stepanov, during his time as head of the republic, decoupled municipal levels of public administration from the regional level authorities and created a more diversified legal and political bureaucratic powerbase for his regime. Not unlike his predecessor, Katanandov for his part relied upon diverse actors within the nomenklatura networks in Karelia to bring him to power in 1998. However, his electoral platform relied more upon economic redevelopment than a more democratic and diverse bureaucratic decision-making apparatus. Katanandov's reliance upon specific groups of the republic's corporate interests has once again re-established a centralised patriarchal regime in Petrozavodsk. How these two approaches were employed depended greatly upon the degree to which elites perceived their political and economic interests, then calculated the manner in which they could harness economic, political, legal and ethnic resources in order to establish their powerbases, consolidate their control over the decision-making apparatus, and then legitimise their regime both with their constituency and with the federal elite in Moscow.

The Federal Level: Regime Consolidation between Moscow and Petrozavodsk

When it comes to relations between Moscow and Petrozavodsk, the power to set the agenda in terms of who controls political, economic, legal and ethnic resources bears mentioning. Stepanov's decision to decentralise bureaucratic control over the republic's municipal administrative units translated negatively on to the federal level as the forest code legislation debate and the republic's opposition to Yeltsin's bombarding of the parliament in 1993 demonstrate. Although Karelia's position towards the federation was not overtly radical or threatening to the federal power interests,

federal elites under Yeltsin were too weak to set the agenda in terms of who held sway over economic, political and legal competencies in the early 1990s.

By 1998, however, the political climate in Moscow was changing after the collapse of the Russian economy. Regions were now economically weaker following the centre's financial default. The system of non-payment for services or lack of rigorous tax collection came to haunt regional elites who now had to seek budgetary relief and hence political support from the centre. In relations with a strengthened federal centre, regions had to cede a degree of political control over to the centre in return for economic solvency. Katanandov's attempts to hitch his wagon to the Fatherland then United Russia's banner may be interpreted in this way. Lacking a truly viable platform to distinguish himself from Stepanov, Katanandov sought out Moscow's backing to bring him to power, pledging his political and economic loyalty to the party of power in return.

The continuing argument over the ownership of regionally based natural resources of strategic significance and the provision of public goods from the federal centre to the regions is also central to understanding the nature of the Russian Federation's institutional relations. In this sense, financial transfers to the regions from the federal centre are a stopgap mechanism implemented until ownership issues between the federal centre and the regions can be legally, economically and politically rationalised. The various levels of federal legislation only lead to more complexity in the economic, legal and political sense. Although Karelia was granted significant control over the exploitation of its forests, the undetermined status of ownership over the resource has caused major difficulties in developing the sector for the economic and social good of the region. As long as the basic rules of the game were not institutionalised with a healthy degree of consensus at all levels, there were no real incentives for regional, federal or even international actors to develop the forestry business beyond the export sector. Without clear ownership legislation, responsibility for guaranteeing investor risks is highly problematic because it remains unclear which level of government actually enforces the rules of the game. The result of such conditions is economic, political and legal stagnation. It is in the interests of the actors that control major portions of the region's resources, such as the forest barons or Petrozavodsk's bureaucrats to maintain monopoly control over the decision-making institutions as well as the means of production to exclude as many actors from competing against the republic's vested interests.

Finally, there is the issue of externalities that must be assessed in the case of Karelia. Although not a part of the model, international actors have a role to play in regional – federal relations as well. The border is seen by both regional and federal elites as a very positive factor that may contribute to the republic's economic and social development. However, with such concepts as ownership undefined and political competition reduced to a few major actors, contacts with the outside world could threaten to destabilise a very rigid yet frail institutional arrangement. European businesses operate according to different rules of the game, as shown in the Assi Doman case set out above. External actors in the region rely upon resources outside the republic to conduct business where market signals determine the value of goods and transaction risks are guaranteed by legal enforcement mechanisms. These actors depend not only on the fluid flow of capital, but open access to resources and transparency in dealings with local regional and federal legislatures. The state-centred, paternalistic model of development supported by the republic's administration and business community is incongruent with the needs and demands of external actors which are reliant on market rules to conduct their affairs. The hesitancy with which both federal and regional elite groupings approach external actors may be a result the inability of their respective interest calculus to resolve the risks that international actors present to the Russian institutional system as a whole.

Tatarstan: Elite Interdependence and the Art of Compromise

Introduction

The striking characteristic of the Tatar case that stands out after analysis of the republic's perestroika period politics and the region's relations with Moscow is that the chain of events that occurred starting in 1988 and lasting until the declaration of sovereignty by the Shaimiev administration in 1991 was eerily similar to those that took place concurrently in Chechnya. Briefly, while the institutions of Soviet centralised authority were collapsing under the weight of inter-elite competition, new actors with alternative political, economic and social preferences appeared in Soviet mainstream politics. The new clutch of activists was not uniform in its preferences or formally organised. Many activists were from the Soviet intelligentsia, some were journalists, and still others were populist nationalists. The communist party at the regional level had also begun to split along such societal and professional faults. The nomenklatura or the party powerbrokers, with their links to centralised industry and agriculture, began to separate from the nationalist ideologues and radical democrats and form a 'new' ruling elite, a move that can be interpreted as an attempt to streamline the communist era cadre to preserve their access to the remnants of political and economic incentives.

In this milieu of institutional collapse and interest re-alignment the regional leadership, regardless of its background or preferences, was charged by default with the task of maintaining the authority of regional decision-making institutions in the face of increasingly visible populist forms of opposition and decreasing legitimacy of the system in the eyes of the public. Simultaneously, the regional elite had to cope with several external factors brought about by the elite power struggle at the centre of the Soviet Union. Moscow's priorities toward the regions had become convoluted in the effort to preserve the Soviet Union against the political challenges posed by the constituent Union republics: the three Baltic republics and the Russian Federation. Rent seeking on the part of Union republics threatened the territorial integrity not just of the USSR, but of the Union republics themselves. Autonomous regions such as Tatarstan sought to take advantage of federal-level bargaining to procure domestic stability in the form of increased economic and political concessions (sovereignty) at the expense of already competing Soviet and Russian federal elites.

The underlying causes for such opportunistic behaviour on the part of the regional leadership were not unique. It will be argued below that the actions taken during perestroika by the Tatar administration under M. Shaimiev were motivated initially by self-preservation and then, as time progressed, by consolidation and propagation of their regime and political authority. What is distinctive about the elite behaviour in Tatarstan is their ability to gauge the political environment at the time, access resources to fulfil their strategic goals and employ that strategy to its optimal efficacy in terms of economic, political and social preference maximisation. As it will be demonstrated, Tatarstan exhibited many of the same embryonic societal and cultural tendencies in terms of national or ethnic resentment towards Moscow. The political elite in the republican capital, Kazan, perceived its economic standing within the USSR, like Chechnya, as a resource colony, supplying raw commodities such as oil and labour to the Soviet centre without garnering any substantial benefits in return. However, unlike its counterpart in Grozny, Kazan's communist party nomenklatura were not overthrown after the aborted 1991 Moscow coup, but instead were able to consolidate their political authority in the republic despite the substantial challenges faced by the republic's society and ruling elite. This case study examines in detail how masterful political manoeuvring under extreme conditions contributed to the consolidation of Tatarstan's domestic power structure and determined the nature of the republic's relations with Moscow.

The chapter is laid out as follows: first the general economic, social and political characteristics of the Republic of Tatarstan will be described. Then a historical review of the region's domestic political, economic and social conditions will be presented. A detailed account of the manner in which these various domestic forces coalesced into competing elite groups during perestroika will be put forward. The domestic elite behaviour will then be analysed within the Soviet and later the Russian federal context so as to provide particular insight into how domestic dynamics influenced the region's relations with Moscow. Finally, relevant conclusions will be proffered.

The Political Geography of the Republic of Tatarstan

The Republic of Tatarstan sits on the confluence of the Kama and Volga rivers to the east of Moscow. The republic is a territorial unit of the Volga Federal Okrug and a member of the Volga Economic Zone. The republic's population as of 2002 totalled 3,779,265. The bulk of the republic's inhabitants are ethnic Tatars[409] (52.9 percent) while Russians (39.5 percent) and Chuvash (3.3 percent) are the significant ethnic minorities.[410] The republic's capital is Kazan, with a population of 1,105,300.[411] Other major population centres include Naberezhnye Chelny, Nizhnykamsk and Zelenodolsk. Economically, Tatarstan is one of the most dynamic constituent units of the Russian Federation. The Gross Regional Product for 2003 stood at 261, 843.9m roubles. The region's exports were valued at 3,676.5m USD, while imports were significantly lower at 348.7m USD. Foreign direct investment in Tatarstan totalled 176.1m USD in 2003, down from 642.5m USD in 2002. During the same period, regional unemployment was 6.7 percent. In terms of agriculture, the republic's farms are involved in the traditional tasks of harvesting grain, animal husbandry, and horticulture. They employ 12.7 percent of the territory's work force and in 2003 total agricultural output was valued at 46,449m roubles, third amongst the 89 federal units. The region's industrial sector is also well diversified with light industry, hydrocarbon production and refining, petrochemicals,[412] and the automobile industry[413] contributing to the republic's economy. Regarding infrastructure, the region is a major hub for north–south river traffic along the Volga as well as rail transport to and from the eastern expanses of Siberia. The Russian Federation's second largest export oil pipeline to Europe begins on the territory of Tatarstan in the town of Almetyesk.

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[409] For the purpose of this chapter, the name 'Tatar' is used to describe the titular nationality that resides within the territory of the present day Republic of Tatarstan. However, it is acknowledged that three-quarters of the Tatar ethnic group reside outside the territory of the republic and that many Tatars themselves are associated with other Tatar groups, Crimean, Astrakhan, Siberian Tatars, whose ethnic and national heritage are related, but separate from those who live in the republic.

[410] The demographic change in the republic is significant. At the time of perestroika according to the 1989 census, the ethnic breakdown of Tatarstan was slightly more balanced, but still favoured the titular nationality: Tatar 49 percent, Russian 43 percent, Chuvash 4 percent, Ukrainian, 0.9 percent. See Roza N. Musina, "Contemporary Ethno-social and Ethno-political Processes in Tatarstan" in Leokadia Drobezheva, et als (eds), *Ethnic Conflict in the Post Soviet World: Case Studies and Analyses* (London: ME Sharpe, 1996), p. 196

[411] It is interesting to note that since 1989 the percentage of Tatars that makes up the population of the republic have been gradually on the rise. According to some estimates, the proportion of Tatars in the republic has increased by one tenth, while the number of Russians is slowly declining. For more information see *The Territories of the Russian Federation 2006* 7th edition (London and New York: Routledge, 2006), pp.185-188.

[412] The oil industry is the undisputed leader in the regional economy and produced 40 percent of the region's industrial output. The hydrocarbon sector extracted some 28.7m tonnes of oil in 2002, following only the Khanty-Mansii and Yamalo-Nenets regions in Tyumen Oblast in that sphere. The industry employs 23.2 percent of the region's labour and generated 281,547m rubles in 2003. See *The Territories of the Russian Federation 2006* 7th edition (London and New York: Routledge, 2006), p. 187.

[413] For its part, the automobile industry produced 38,700 cars in 2002 and has garnered significant FDI from General Motors. ibid., p. 187

As an Autonomous Republic in the Russian Federation, Tatarstan adopted its own constitution on the 6 November 1992. The document sets out the institutional framework for a presidential republic in which executive power is vested in the office of the republican president[414] (M. Shaimiev elected 1991, 1996, and 2001) and formally shared with the Chairman of the State Council[415] of the Republic (at present Farid Mukhametshin). Legislative power rests in the institution of the bi-cameral State Council. There is no Constitutional Court in the Republic of Tatarstan.

Exploring the Tempering Effect of Economic Development on Latent Nationalism: Tatarstan's Industrialisation

Before analysing the economic and social development of the Tatar republic, a few words concerning the Soviet policy for integrating indigenous peoples into the new regime are in order. As in the other cases in this study, the Tatars were seen by the Bolsheviks as oppressed nations, their right to economic and social self-determination stifled by the bureaucratic institutions and authoritarianism espoused by the rulers of the Russian Empire. After the Bolsheviks came to power in 1921, they purposely set out to incorporate the non-Russian populations into the mainstream of the new state's economic, political and social spheres.[416] This policy lasted at least on paper right up until the 1980's. In his work on Tatarstan's relations with Moscow during the perestroika period, Sergei Kondrashov[417] explores the correlation between economic modernisation and observed manifestations of Tatar nationalism in regional and federal politics. Kondrashov's conclusions underline the vague connection between economic growth and the appearance and degree of nationalist sentiment in Tatarstan. While outlining the evolution of industrial modernisation in Tatarstan, Kondrashov identifies several pertinent demographic trends that to a degree may have directly contributed to the particular nature and development of the Tatar nationalist movement. Kondrashov's treatment of the modernisation of the republic's economy identifies three distinct stages.[418]

Like many contemporary constituent units of the Russian Federation, Tatarstan's economic development began in earnest with the drive for industrialisation and agricultural collectivisation undertaken by the Soviet regime after the abandonment of Lenin's New Economic Policy in 1927.[419] The first stage of the region's industrialisation (1928–1946) was centred on the

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[414] Besides representing Tatarstan international interests, "The President heads the republican executive system. He defines the structure of executive bodies of state power of the Republic of Tatarstan, forms the Cabinet of Ministers and directs its activities, proposes the Prime Minister's candidature for the approval by the State Council, appoints (coordinating it with the RT State Council) deputy prime ministers, appoints ministers and other members of the Cabinet, dismisses the Prime Minister and members of the Cabinet of the Republic of Tatarstan." Available at <http://www.tatar.ru/index.php?DNSID=8462dbff35574ee79b58dab9189b0f45andnode_id=818> accessed on 16.10.2007.

[415] "According to Article 82 of the Constitution of the Republic of Tatarstan, the Chairman of the State Council of the Republic of Tatarstan shall head the State Council and preside its sessions, organise the work of the State Council, represent the State Council in relations with other state bodies of the Republic of Tatarstan and the bodies of local self-government, federal bodies of authority, parliaments of other states, public associations, carry out other powers provided by the Constitution, laws of the Republic of Tatarstan and the Regulations of the State Council of the Republic of Tatarstan." See <http://www.tatar.ru/index.php?DNSID=8462dbff35574ee79b58dab9189b0f45andnode_id=829> accessed on 16.10.2007.

[416] See Musina (1996): p 196

[417] Sergei Kondrashov, *Nationalism and the Drive for Sovereignty in Tatarstan, 1998-92: Origins and Development* (New York: St. Martin's Press, 2000)

[418] ibid., p. 2

[419] Following the Russian Revolution, the attempts to centralise agricultural and industrial production by the Soviet administration were a miserable failure. In order for the Bolshevik state to quell the increasing amount of peasant opposition to the regime's economic policies, Lenin decided to allow for market mechanisms to regulate the economy and stabilise the political situation in the country. For more see Richard Pipes, *Russia Under the Bolshevik Regime*

construction of major industrial sites, centred in the city of Kazan. The sectors developed fit well within the Soviet concentration on increasing the country's output in sectors such as mechanical and power engineering, as well as the chemical industry. The initial stage of development, despite its focus on value-added economic sectors, was unbalanced in the sense that industries were located in already developed regions of the Tatar republic; there appears to have been no commitment to upgrading the more rural, tradition agricultural areas. Demographically, new investments and economic programmes benefited the urban population, who at the time were predominantly Russian.

The second phase of the region's economic development (1946–1965) took place following the end of World War II. Tatarstan, located far behind the front lines, suffered very little damage from the war and to a limited extent benefited from the evacuation of major industrial plants from the combat zones in European Russia, Belarus and Ukraine. However, these relocated factories' contribution to the Tatar economic boom paled in comparison to that brought by the discovery of substantial reserves of petroleum in the early 1940s.[420] The region's nascent oil industry facilitated economic investment in severely needed infrastructure and attracted more industries to the region. The main oil producing regions were demographically dominated by Tatar inhabitants. The oil industry seemed to be a boon not only for the economy but to the further advancement of the Tatars up the ladder of socio-economic development envisioned by the communist party ideologues in Kazan and Moscow. However, investments, industrial development and professional opportunities for advancement on the part of the region's population remained particularly lop-sided. Although the oil production facilities were located outside established population centres, value-added industries such as refining, engineering and transport were located where infrastructure and services were well established, particularly in the capital city, Kazan. In theory, then, Tatars who stood to benefit from employment opportunities in the oil sector would be involved in the dirty and physically demanding work of extracting the crude from the wells. Meanwhile the urban population, dominated by Russians, could avail itself of employment in the more service- and professionally orientated, value-added sectors of the economy.

The final period of the region's economic modernisation (1965–1991) is characterised by the decline of the upstream side of the oil sector and the diversification of the regional economy into new areas of industrial production. Oil production dropped off steeply in Tatarstan by the 1980s. If the trend continued, a massive correction in the structure of employment in the regional economy would have occurred. To soften the blow in case of such an occurrence, the region's economy was bolstered by the development of the automobile industry with the completion of the country's largest truck producing plant in Nizhnekamsk. This time the demographics of the region favoured the Russian inhabitants and that they stood to benefit directly from the jobs on offer at the new facility. The threat of a major increase in unemployment was also averted by the discovery of oil outside the boundaries of Tatarstan in neighbouring West Siberia. Many of the oilfield workers from Tatarstan were able to relocate and find jobs in the new fields.

(New York: Random House, 1995) and Moshe Lewin, *Russia/USSR/Russia: The Drive and Drift of a Superstate* (New York: The New Press, 1995)

[420] While oil had been discovered during the war years in Tatarstan, production did not start in earnest until the 1960s, increasing three times starting from 1951. Several giant oil fields, including *Romashkino* an area close to 3,684 km^2, would make Tatarstan and the Volga-Urals province on aggregate the USSR's main producing region, accounting for 63 percent of total production or $200x10^{16}$ tonnes with $100x10^{6}$tonnes extracted in Tatarstan alone. See A.A. Bokserman, V.P. Fillipov, and V.Yu. Filanovskii , "Oil Extraction" in N.A. Krylov, A.A. Bokserman and E.R. Stavrovsky (eds), *The Oil Industry of the Former Soviet Union: Reserves and prospects, Extraction, Transportation* (Amsterdam: Gordon and Breach Publishers, 1998), pp. 74-76

Unintended Consequences of Economic Development: The Role of Demographics in the Development of Tatar Nationalism

Generally speaking, the economic development describe above was beneficial to the population of Tatarstan, even though economic production was highly segregated into manual and professional categories and this division was exacerbated by different industrial branches having been located in a limited number of urban sites in the republic. However, the question of who benefited from the republican economic boom driven by the domestic petrochemical industry remained a contentious issue. Despite the success of industrial modernisation in the region, the benefits of economic development were disproportionately distributed amongst the region's ethnic groups. It is the disproportionality in the allotment of economic benefits that Kondrashov sees as a contributing factor in the development of Tatar nationalism. The phenomenon of inequality in social and economic incentives in Tatar society is operationalised in two spheres: the process of urbanisation amongst the Tatars and the republic's socio-economic stratification.

Rapid urbanisation accompanied the industrialisation of the Tatarstan republican economy. The general characteristics of the move from the rural regions of Tatarstan to a limited number of urban centres, Kazan and the industrial region of Naberezhnye Chelny, demonstrate that the majority of the region's inhabitants that were on the move during 1921–1991 were the Tatars themselves. The logic is intuitive since it was the Tatars that made up the bulk of the rural population before the Russian revolution. The process of urbanisation started slowly. In the 1920s, the region's rural inhabitants relocated to the cities at a rate below the national average. However, by the 1980s, the urbanisation process in Tatarstan was far above the national average for the USSR.[421] According to Musina,[422] by 1989 79.2 percent the population of Tatarstan lived in cities. As a result of the demographic shift, the urban population grew exponentially in the republic. For the Russians, urbanisation did not fully overturn their majority within the cities.[423] However, the gap between the percentage of urbanised Russians and Tatars became rather small by 1989.[424] The rural population numbers remained as expected. Despite the outflow of Tatars, they still made up the majority of the rural population by 1989 (65 percent) with the Russians comprising the minority (23 percent).

To put this urbanisation process into perspective, over a ten-year period, Tatarstan experienced a more rapid exodus from villages to the city than any other Black Soil region in the Russian Federation, with the rural population decreasing by one or two village districts a year.[425] The process of 'retarded urbanisation' amongst the titular nationality led to distinct variation in the employment structure of the republic's ethnic groups. Kondrashov found that the major stratification between the Russians and Tatars was that Russians occupied the higher professional strata of the employment ladder. Russians were more likely to be employed in white collar technical positions[426] such as engineers or in the metallurgy sector. At the same time the Tatars were more

[421] ibid., p. 4
[422] See Musina (1996), p. 197
[423] By the data compiled in the USSR's 1989 census, as a group 85.7 percent of the Russians lived in the republic's urban centres, while only 14.3 percent lived in rural settings. For Tatars as a group, 63.4 percent lived in urban settings while the remainder, 36.6 percent lived in the countryside. See Musina (1996), p. 197
[424] According to the 1989 census, 51 percent of the republic's urban population was ethnic Russian, whereas Tatars made up 42 percent. See Kondrashov (2000), p. 9
[425] See Musina (1996), p. 198
[426] In the 1979 census, Russians were over represented in the engineering cadre and industrial management. Russians engineers were double that of the number of Tatars in regional enterprises and held 50 percent of the managerial posts. See Kondrashov (2000), p .18. A practical example of the technical edge held by the Russians over the Tatars is illustrated by the workforce at the KAMAZ truck factory in Naberezhnye Chelny. At the highest skill positions, the Russians were over-represented as compared with the Tatars: 47.4 percent of the Russian workers at the plant were employed in high skill positions, where only 25.5 percent of the Tatar employees held comparable positions. In the

likely to be employed as blue collar labour in construction, transport, and in the production facilities in the republic's oilfields.[427] However, as indicated by Kondrashov, this socio-economic difference was rather minimal.[428]

The employment trends are reinforced by similar phenomena in the sphere of education. Musina theorises that there is a direct correlation between the level of urbanisation of a particular societal group and the group's representation in academia. The explanatory power behind this may be attributed in part to the structure of the Soviet educational system. Urban youth thanks to socio-economic background and corresponding educational opportunities were more likely to enrol in technical, medical and art faculties, while rural youth were mostly faced with the option of attending courses at the local agricultural or pedagogical institute.[429] Numbers in education also bear this social structuration pattern out. Again, the share of Russians (56 percent) in education indicates an over-representation in comparison with the Tatars (35 percent).[430] The troubling trend in employment in the higher echelons of academia becomes even more disconcerting when seen in the context of overall numbers of employment in the education sector. Tatars held a slight edge in terms of general employment numbers compared to their Russian counterparts: 48.3 percent to 42.9 percent. The breakdown in terms of academic disciplines also serves to reinforce the professional divide between the two groups: "Tatars outnumber Russians in the social sciences and the humanities, while approximately equal numbers are employed in the natural sciences. But far fewer Tatars are employed in the technical sciences."[431] The most intriguing insight contributed by Kondrashov's study is his finding that despite lagging behind the Russians in almost every category that could be used as a proxy to illustrate social and economic development, the Tatars were a majority in the republican political administrative realm. [432]

One of the more crucial issues that Kondrashov does not touch upon is the influence of urbanisation and socio-economic development on the titular language. Musina's analysis indicates that the use of Tatar immediately before the perestroika period in the mid to late 1980s was negatively affected by the overall demographic shift of the Tatars from the countryside to the cities. As a second factor, Musina indicates that the government's own language policies, where Russian took precedence over titular languages as the official means of communication and the country's *lingua franca*, were also in part to blame for the decline of the Tatar tongue. The more Tatars moved to the cities away from their family roots in the countryside, the more Tatars were compelled to use Russian in view of the demands of the urban environment.[433] This downward dynamic continued even after the first generation of urbanised Tatars had settled into the cities and their children were off to college.

The evidence provided suggests that the process of urbanisation that occurred in the Tatar republic affected both Russians and Tatars alike. Both groups benefited from the creation of a diversified advanced economy, the generation of significant sources of employment in industry, the expansion of education and opportunities to serve in managerial capacities both in the industrial and the public sector. However, urbanisation did produce unintended consequences concerning the ethnic

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unskilled positions, Tatars were the majority. They were 1.8 times more likely to be employed at the lower levels of the skill structure than Russians. See Musina (1996), p. 198

[427] Musina breaks the numbers down even further into urban and rural categories. In the countryside, Tatars made up 17 percent less of the blue collar labour force, 11 percent less in the service sector and 25 percent more in agriculture. Whereas in the cities, Tatars were predominantly employed as manual or unskilled labour 72.4 percent as compared to Russians 64.3 percent. See Musina (1996), p. 198

[428] See Kondrashov (2002), p. 13

[429] See Musina (1996), p. 199

[430] See Kondrashov (2000), p. 18

[431] See Musina (1996), p. 199

[432] See Kondrashov (2000), p. 19

[433] See Musina (1996), p. 199

structure of the distribution of socio-economic benefit. Due to their predominance in the rural population, Tatars were overrepresented in the urbanisation process, while Russians remained a majority in the urban population despite the influx of Tatars from the countryside. While the republican economy expanded, Tatars, owing to their rural backgrounds, were forced to seek employment at the lower rungs of the labour ladder, predominantly in blue collar jobs. The Russians maintained their competitive advantage of being urbanised earlier than the Tatars and continued to hold on to their majority representation in the white collar employment sector. However, the social and economic dissonance between the two groups did not cause any immediate concerns for the local political elite.[434]

Conceptualising Tatarstan's Perestroika Period Political Landscape

The underlying causal dynamic for the collapse of Soviet administrative institutions as a result of Gorbachev's restructuring policies is difficult to pinpoint. For its part, latent nationalism has been identified as the main culprit in contributing to the ultimate demise of the USSR: disgruntled titular nationalities satisfied their natural right to self-determination and threw off the yoke of Soviet rule, thus finally fulfilling the promises of Lenin for a diverse and more importantly egalitarian state based upon ethnicity. By briefly analysing the material available, it is easy to see why such a theory may be so popular. Contested actions such as the search for historical legitimacy of one ethnic group's monopoly of ownership over lost territory or linking newly founded state institutions to the past only add to the un-falsifiable, essentialist and deterministic arguments above which have been employed during perestroika by radical nationalists and post-communist democrats alike. However, the gap between rhetoric and observable causes can be quite overwhelming. It will be argued below that nationalism itself was not the main cause for the change in the formal institutional structure of Tatar Russian relations. Instead, it was the lack of a coordinated institutional response from the federal centre to the system-wide crisis of legitimacy that spawned successful rent-seeking behaviour on the part of the Tatar elite. This political opportunism on the part of the regional elite, rooted in the socio-economic conditions outlined in the previous section, determined both the nature of the domestic regime and its external relations with the federal centre.

The question of degree of legitimacy is quite central to the arguments developed by Kondrashov in his analysis of perestroika in Tatarstan. The crisis of legitimacy brought about by the simultaneous institutional reconstruction of the Soviet state and the fermenting of nascent political opposition to the Communist Party's primacy in decision-making led to a fall in the degree of belief many citizens had in the ability of Soviet institutions to deliver on their economic, social and political promises. With the advent of the legitimacy crisis, regional elites in Tatarstan formed three groups: the regional nomenklatura with its roots in the local party bureaucracy, industry and agriculture; the nationalists who followed the intellectual pursuit of the establishment of a Tatar state along ethnic lines; and the perestroika democrats whose platform was rooted in the adoption of Western-sourced liberal democratic institutions. It was the competition among these groups for the ability to determine the region's political, socio-economic and institutional agenda that determined how the domestic regime would be consolidated within its own borders first and then the emerging Russian federal framework.

However, while acknowledging the importance of the interplay amongst the social-economic conditions in the development of regional elite groupings, several of Kondrashov's key points are

[434] See Kondrashov (2000), p. 20

disputed by the institutional approach espoused by Matsuzato[435] and Gorenburg.[436] For his part, Matsuzato draws exception to Kondrashov's linear, bottom-up approach to regional elite competition in Tatarstan. Matsuzato's analysis rejects Kondrashov's use of Przeworski's duality of "reformers versus conservatives" model for regime transition, proposing instead, a more fluid conceptualisation of elite political competition in which the three observed groups are mutually interdependent on one another due to their respective strengths and weaknesses in forwarding their own particular agendas. How these agendas are formulated is intricately linked with the preferences of Moscow. Overall, the analysis that Matsuzato creates frames domestic elite competition within the changing preferences of the domestic process and the federal centre's fluctuating ability to influence them. Uni-directional influences as well as the mutual exclusivity of elite interests of Kondrashov's model are replaced with a self-reinforcing, reflexive mechanism in which elites play off each other's preferences in the fluid framework of prevailing social, economic and political conditions in the country. Regional elites, then, set their strategic agenda in relation to federally set constraints and vice-versa.

Gorenburg acknowledges the need for a more composite analysis of regional federal relations and questions the degree of influence possessed by particular influences in elite strategies. His theory downplays the over-specified and constant importance of the ethnicity factor in the legitimisation of various elite strategies in the federal bargaining process. While Gorenburg allows for ethnicity to enter into both federal and regional elite strategic calculations, he sees the factor's salience as negatively correlated with time and its relevance as highly dependent upon the respective elite strategy's core priorities as well as the audience at which the strategy is aimed. Rather than solely relying upon the ethnic card for consolidating their preferred regime type, some elites employ other strategies in combination with or as an alternative to ethnicity to form a multifaceted platform from which to garner both public support and the federal centre's blessing.

What the authors do agree upon in their respective works is that the process of realignment of federal relations between Tatarstan and Moscow took place in several phases that started with Gorbachev's perestroika reform and ended shortly after the collapse of the USSR and the replacement of Gorbachev's Soviet federal system with the Yeltsin administration of the Russian Federation. For the purposes of this case study, the string of events will be analysed corresponding to the scheme set out in Gorenburg:[437]

Phase I: 1988–1991 Perestroika;
Phase II: 1991–1993 Collapse of the USSR and Establishment of the RF; and
Phase III: 1993–1994 Initiation of Bilateralism and Asymmetrical Federalism.

Matsuzato's[438] three-stage pendulum model which conceptualises Tatar–Russian relations in terms of crisis, re-equilibrium and crisis will be utilised to bolster Gorenburg's treatment of the first two stages of federal regional interest and institutional re-adjustment.

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[435] See Kimitaka Matsuzato, "From Ethno-Bonapartism to Centralised Caciquismo: Characteristics and Origins of the Tatarstan Political Regime", *Journal of Communist Studies and Transition Politics,* Vol. 17, No. 4, December (2001), pp 43-77

[436] Dmitri Gorenburg, "Regional Separation in Russia: Ethnic Mobilisation or Power Grab?", *Europe Asia Studies,* Vol. 51, No. 2 (1999), pp. 245-277

[437] See Gorenburg (1999), pp. 251-252

[438] See Kimitaka Matsuzato, "From Ethno-Bonapartism to Centralised Caciquismo: Characteristics and Origins of the Tatarstan Political Regime", *Journal of Communist Studies and Transition Politics,* Vol. 17, No. 4, December (2001), pp. 65-68

A Trio of Domestic Interests: Nationalists, Perestroika Democrats, and the Nomenklatura

Despite the shortcomings of Kondrashov's model alluded to above, his analysis is particularly useful in identifying the general categorisation of competing elite groups that emerged during the perestroika period in Tatarstan. Kondrashov theorises that these three groups, each with specific combinations of socio-economic, political and cultural interests, developed as a result of the republic's urbanisation and modernisation processes that took place under centralised Soviet development policies during the 20th century. Owing to the Soviet government's loss of legitimacy[439] in public opinion that occurred during perestroika, the nationalists, perestroika democrats and the nomenklatura emerged from under the communist party-dominated political discourse and became openly active, each pursuing their own initiatives, in the more permissive socio-political environment of the late 1980s.

The inability of Gorbachev's institutional restructuring to simultaneously deliver economic prosperity and political openness within the Soviet framework created a vacuum in terms of institutional authority from top to bottom of the system's political hierarchy. Elite groups of all categories perceived an opportunity to leap into the void in an attempt to fill the power and authority gap. The opportunity was unique in terms of the political and economic incentives that could be exploited by actors. The highest levels of the centralised system of political authority had lost their monopoly over the mechanisms that governed the interests that could compete for political control over specific swaths of the institutional and geographic landscape. On the other hand, the new elites, sensing the weakening of the Soviet elite's grip on the situation, constructed competing strategies and actively pursued constituencies in society to form new power bases in their attempt to preserve in some cases, and maximise in others, their own political and economic interests. The nationalists from the outset derived their power base from ethnic grievances rooted in the Soviet state's inability to square socio-economic development with ethnic self-determination under a united political system. For many nationalist movements during perestroika, the concept was universal: the Soviet state, dominated by ethnic Russians, had failed to deliver on all it promised in terms of social justice, economic development and political representation for non-Russian minorities. At the same time, the costs of the Soviet Union's failed experiment for these nations in terms of the loss of language, knowledge of their own culture and even in terms of human costs, were extremely high.

The main issue around which the Tatar nationalists rallied in the perestroika period was that of the status of the national language. The situation was such that most Russians in the republic did not feel the need to speak Tatar. Tatars themselves were either bilingual, speaking Russian at work and then Tatar in the family, or had lost the ability to speak Tatar altogether. Kondrashov is quick to remind the reader that in the prevailing socio-economic conditions during the republic's economic boom, most Tatars acquiesced in the predominant use of Russian because speaking Russian was perceived as providing the key to professional opportunities that could not be had if one spoke only Tatar. This unintentional consequence of economic modernisation and urbanisation on Tatar culture was turned into a rallying cry for the nationalist cause.[440]

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[439] Kondrashov identifies two concepts that formed the ideological foundation of the Soviet state: social principles of organising society and industrialisation / materialistic progress. In the face of growing consumer expectations, these ideals failed to deliver the promised benefits of social harmony and improved socio-economic status through industrialisation. The failure of the political institutions to deliver material consumer goods led to public losing faith in the Soviet State's ideology for the establishment of the communist utopian society. See Kondrashov (2000), pp. 54-56

[440] Kondrashov (2000), p. 71

Another aspect of the consolidation of the nationalist position was the unequal economic balance between Kazan and Moscow. The nationalists felt that, through the mechanisms of the centralised command economy, Moscow was sapping Tatarstan of the very resources the republic needed in order to correct the region's pressing socio-economic needs. Instead of having proceeds from the region's hydrocarbon sector and military-industrial complex go to address the economic imbalances among the Soviet republics, the funds as well as ownership of the region's means of production should rest with the Tatars themselves.[441] These two subjects – the overall decrepit state of Tatar culture and society symbolised by the language issue and the ownership of the region's economic resources – gradually coalesced into the nationalists calling for the creation of a sovereign Tatar state. The two concepts sovereignty and culture were not mutually exclusive for the nationalists. In fact they were inextricably linked: in order for Tatars to recover from the cultural and social malaise that was visited upon them under Soviet control, the economic profits would have to be redirected directly into the Tatar state, and in order for that to happen a Tatar state with clear cultural and institutional identity would have to be established. At the outset the nationalists shared the position with the nomenklatura that the Tatar Autonomous Soviet Socialist Republic should be promoted to the level of Union Republic.[442] Later on as events progressed, the nationalists would call for full independence for Tatarstan from the USSR and the RF. Despite the clear formulation of the movement's main tenets, the nationalists' policies were slanted towards the language issue in terms of substance. The economic sovereignty component was never fully developed with clear policy steps or even an overall plan for the transfer of the republic's assets to regional control. The language policy was elucidated in more detail, calling for the elevation of Tatar to an official language of the government, equivalent in status to Russian, as well as the establishment of a system of compulsory education in Tatar.

Islam was also given a part to play in the Tatar national renaissance. The concept of Jadidism, first enunciated during the brief period of Tatar independence during the 1917 Revolution, sought to tie Tatar identity closer to Europe by adopting a more progressive form of Islam and simultaneously reinforcing the specificity of the Tatar identity within the Soviet system. Islam would be institutionally integrated into the education system through the establishment of a parallel set of Islamic schools, and also integrated into several of the institutions of the newly established Tatar Academy of Science.

The final component of the nationalist discourse was that of the Tatar diaspora. By 1990, three-quarters of Tatars lived outside the TASSR, the majority of them within the Volga–Ural region.[443] The nationalists encouraged Tatars living abroad to form autonomous communities based on their shared ethnic identity. These units' future cultural and political activities would then be coordinated by the Tatar National Congress (Milli Meijis) beyond the administrative control of Tatar state institutions.

The first formal organisation to set itself up as the proponent of Tatar rights in the republic was the Tatar Public Centre (TPC), founded in 1988. Initially, like similar movements that appeared during

[441] Kondrashov (2000), p. 74

[442] That move would have granted Tatarstan the status within the USSR federal framework shared by Georgia, Kazakhstan, Russia and the 12 other territories that made up the roster of the USSR. In addition to a higher degree of say in terms of how the republic's affairs would be run, the main advantage of being a Union republic was that the territory was granted the nominal right to secede from the USSR.

[443] This caused significant problems for not just the federal administration, but neighbouring regional elites as well. In the Bashkir ASSR, Tatars made up a significant amount of the region's population. At one point the nationalists' position on the diaspora was such that it called for the succession of the proximate Tatar dominated regions from Bashkir ASSR to Tatarstan. Other extreme claims included regions with significant Tatar populations to transfer budgetary funds to Tatarstan's coffers. However, such a radical redrawing of regional geographic borders and economic transfers were hardly realistic and who project was never able to overcome the various interests of the disparate Tatar populations. It therefore never gained any sort of tangible political backing. See Kondrashov (2000), p. 86-87

perestroika, the TPC was staffed by a small group of intellectuals, academicians and administrators. The TPC's *raison d'être* was the rediscovery of Tatar culture and its role in the context of the Soviet Union's socio-political reform. The TPC aimed to address the outstanding social issues such as the status of the indigenous language, consolidating the diaspora, while advocating significant changes in the republic's economic and political status within the Soviet federal framework. By 1990, the TPC split into several factions along the lines of the economic and political issue. The more radical members of the TPC formed The Tatar Party of National Independence, Ittifak (Accord),[444] and the Tatar Youth League, Azatlyk (Freedom). Both these organisations upped the political ante with Moscow and called for the establishment of an independent Tatarstan.

The second opposition group that appeared in Tatarstan in the mid to late eighties was the perestroika democrats. The perestroika democrats had their roots in the organisation of the republic's failed Popular Front. While the political and economic influences of perestroika were increasing in their intensity in the USSR, many anti-establishment movements appeared on the political landscape. The Popular Front in Support of Perestroika adopted a radical plan of organised revolt against the contemporary political elite and only then could the goals of social justice and the establishment of a system of social democracy be achieved. The movement supported economic autonomy for Tatarstan, the creation of a pluralistic system of government, as well as a social platform focused on ethnic multiculturalism. Due to the Popular Front's irreconcilable internal differences among the various wings of the movement, the Front disintegrated. The Front's legacy to the Tatar political scene was its public organisations, the Initiative Centre of the Popular Front. Early activism of the Centre was centred upon green issues, the pursuit of political pluralism and economic autonomy for the republic.[445]

Like their nationalist counterparts, the democrats shared similar policy preferences with other democratic groups in the USSR's regions. They also derived a particular Tatar signature to their political stances by espousing some of the more innocuous nationalist policies as they related to ethnicity, self-determination and social justice. However, the democrats drew the line at overcompensating in terms of social and economic benefits for one group (Tatars) at the expense of another community (Russians) despite the obvious social and economic discrepancies. Whereas the nationalists saw the interlinking of ethnicity and the state as the basis for true democratic governance, the democrats felt that an essentially democratic state would have to take into consideration the rights and interests of all its constituencies[446] and not slant institutional preferences and outputs by favouring one group over another. [447]

The final group to emerge in Tatarstan was that of the nomenklatura,[448] or the region's political establishment. Tatarstan's administrative elite is dominated by members that hail from the republic's rural regions. These bureaucrats with their roots in the republic's agrarian sector form the

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[444] Ittifak's leadership under Rafael Khakimov adopted a platform in which the legitimization and organisation of an independent state was directly correlated with the identity of the territory's titular nation. However, Ittifak's nationalism was not, at least on the surface exclusive, in terms of the rights that would be on offer to other nationalities. The option of Double Citizenship for non-Tatars was on offer as well as a promise to afford the same level of social services and economic opportunities to non-Tatars. However, Ittifak supported the concept of traitors of the nation (mankurtism) in which enemies of the Tatar state, mostly Russianised Tatars were presented as threats to the existence of the Tatar nation itself. See both Musina (1996), p. 202 and Kondrashov (2000), pp. 76-77

[445] See Kondrashov (2000), pp. 115-116

[446] For instance the language issue, so central to the nationalist movement, should be put to referendum vote in the republic.

[447] See Kondrashov (2000), p. 80

[448] It is estimated that in 19189 the ethnic makeup of the Tatar nomenklatura was dominated by the Tatars themselves. 78.1 per cent of the region's economic and political administrators were of the titular nationality. See Aleksei Zverev, "Qualified Sovereignty: The Tatarstan Model for Resolving Conflicting Loyalties" in Michael. Waller, B.runo Coppieters and Aleksei Malashenko (eds),*Conflicting Loyalties and the State in Post Soviet Russian and Eurasia* (London: Frank Case, 1998), pp.119-143 (p.121).

major source of administrative power for the nomenklatura and for the region's president M. Shaimiev. Second in the roster of the region's political establishment is the military industrial complex. The group is rounded out by members from the republic's oil industry.[449] With the decline of the institutional viability of the Soviet state, the country's ruling communist party also experienced a decline in its own authority in the country and a reduction in discipline amongst its membership. Again, the increased opportunity in forwarding the regional political establishment's own interests regardless of Moscow's priorities is a generally observed phenomenon of Gorbachev's reform period. What makes the nature of Tatarstan's political establishment different from its counterparts in Chechnya is that the elite did not fracture into splinter groups. [450]

Besides preserving their interest cohesiveness and presenting a unified front publicly,[451] the nomenklatura in Tatarstan understood the nature of the two level game in which they were one of several competing interest for not only political primacy within the republic, but in terms of agenda setting within the ever changing federal framework of the USSR and then later on the RF. The political establishment were pragmatists; never fully supporting the policies of there opponents in the region or in Moscow. Instead the nomenklatura sought out alliances of convenience, co-opting components of rivals' policy platforms and then jettisoning them when such stances no longer served the overall goal of obtaining political and economic supremacy in the Tatar Republic. [452]

This political pragmatism and search for stability manifested itself practically in the nomenklatura's strategic approach to both its demands vis-avis Moscow and its competition with the democrats and nationalists within Tatarstan. The region's political establishment due to the fused nature of political and economic control in the USSR was very well informed and deeply entrenched in the region's business sector. It comes as no surprise then that control over the regional economy would become a major issue for the region's administrative elite. Unlike the nationalists who only spoke in general terms concerning economic sovereignty over the republic's natural resources and production facilities, the nomenklatura possessed a practical plan for the wresting of control over of Tatarstan's economy from the grasp of Moscow.[453] As far as the regional economy's importance to the USSR, Tatarstan ranked fourth amongst the regions in the Russian Union Republic in terms of annual investments in the industrial sector and percentage of investments made in the regions on the whole.[454]

The situation of low return on production centred in the republic caused not just legitimacy problems for the economic policies of the central administration in Moscow[455], but in the region as well. With the opening up of the political discourse in the country, expectations on the part of the general public for an improved economic future inevitably cropped up. In the face of growing public pressure, the Tatar elite had pushed for more economic decision-making autonomy from the central ministries in Moscow, allowing republican elites to decide on how to organise regional

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[449] See Matsuzato (2001), p. 53
[450] See Kondrashov (2000), p. 92
[451] Matsuzato identifies the cause behind the Tatar elite unity unlike Kondrashov. It is the nomenklatura's ability to rejuvenate its ranks with younger members that maintained the political elite's coherence during the institutional transition from the USSR to the RF. See Matsuzato (2001), p. 52
[452] See Kondrashov (2000), p. 93
[453] Only 2 percent of the region's industrial assets were controlled by Kazan. The rest were at the disposal of the Russian Union republic or the USSR itself. See Kondrashov (2000), p. 96
[454] See Kondrashov (2000), p. 96
[455] The republican government did not share much in the profits earned by industries situated in the republic but controlled by Moscow, as up to 90 percent, in some cases of all these profits were taxed away by Moscow. In turn almost 70 percent of the republican expenditures were provided by transfers from the centre (Moscow). All the positive balance of exchange with other regions flowed not to the republic, but to Moscow. Nor did the republic see any rich revenues from its oil production, for the output prices set by Moscow barely covered production costs. See Kondrashov (2000), p. 97

economic and financial capital to improve their economic performance. The programme that was originally supported by the Soviet government was delayed indefinitely. As a result in 1989, siding with the initial position of the nationalists,[456] the republican political establishment called for Tatarstan to be promoted from an ASSR to a full Union republic in order to address the burning question of redistributing economic decision-making, policy formation and responsibility.[457]

The legal manoeuvring of the republican political elite with the federal centre in Moscow was only the first step in their programme to reorganise the republic's economic relations. By the end of the 1980's the overall condition of the Soviet economy was grim. Economic production was down, transportation networks did not function, consumer goods, including food, were becoming scarcer on the store shelves across the country. Tatarstan was directly affected by the economic crisis in the Union and suffered due to its unbalanced relationship with Moscow. The republican elite sought to make Tatarstan economically self sufficient in terms of consumer good production and decided to reduce its contributions to the federal centre in term of agricultural and industrial output. Ostensibly, the plan would stabilise the republican economy on the whole and demonstrate the ability of the republic to fend for itself outside the crumbling Soviet centrally planned economy. This was to be achieved through centring investment and production in the republic on the provision of goods to the republic's population as well as the handover of republican industrial and agricultural assets from Moscow to Kazan.[458] To sum the nomenklatura's position up briefly,

> …they wanted union republic status separate from Russia, they wanted Tatarstan laws to be supreme in the republic, and they wanted control over the republic's most profitable industries.[459]

The Relations within and with Moscow: Perestroika 1988-1991

The interaction of the domestic interests in Tatarstan cannot be treated in a territorial vacuum. Externalities, such as the behaviour of the Gorbachev administration in Moscow and the Russian Federation's opposition headed by Yeltsin provided opportunity for republican elites to pursue their own particular strategies in order to maximise their political power and economic wealth in the domestic regional and federal arenas. The perestroika period basically witnessed a split of the Soviet federal system into three competing parts. First, there was the federal government, staffed by the Communist party of the USSR, and headed by M.S. Gorbachev. The Union government was responsible for the administration over the whole country, including managing relations amongst the 15 Union republics, of which the Russian federation was one. The second level was composed of the Union republics themselves. The Union republics, including the RF were simultaneously subject to and to an extent autonomous from the rule of the USSR government. As perestroika gathered pace, the Union republics would seek to increase their political and economic autonomy from the federal centre. At the regional level were the autonomous republics, such as Tatarstan. These units within the Union republics were subject to rule from the Union republican administrative centres, as well as from the federal administration of the USSR. It was these regions that became pawns in the power struggle for political and economic supremacy between the Union republics and the Soviet federal government.

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[456] See Matsuzato (2001), p. 49

[457] According to Matsuzato, the call for Union Republic status was logical in the sense that the TASSR already could boast of being an important economic and political cog in the Soviet federal apparatus. The first secretary of the TASSR was frequently included in the higher decision-making bodies of the USSR including the CPSU Central Committee and the Presidium of the USSR. The source of such privileges was the republic's central economic role in the country's oil and defence industries as well as their ethnic and cultural status. See Matsuzato (2001), p. 49

[458] See Kondrashov (2000), p. 99

[459] See Gorenburg (1999), p. 251

By 1990, the legitimacy of the USSR administrative structure had weakened severely. In order to keep the Union republics like the Baltic republics and Russia from continuing to extract rent from Moscow for their membership in the USSR and defecting from the Soviet federal structure outright, M. Gorbachev passed a law within the Soviet executive that elevated the status of the ASSRs such as Tatarstan to that of Union republics. The logic behind the legislative ploy was two fold. In the first instance, the declaration sought to limit the power of the Union republics vis-avis the soviet federal centre by forcing them to focus inwards on their own relations with their constituent autonomous units. This in turn would shift the political initiative back to the Soviet federal centre and allow Gorbachev to preserve the USSR, albeit in a more confederative format. The strategy backfired. Yeltsin, sensing the direct threat to his own political powerbase within the RF declared the RF sovereign from the Soviet state and granted full to autonomy the constituent autonomous units within Russia. On a visit to Kazan in 1990, Yeltsin had made his famous declaration concerning the amount of autonomy the autonomous units could expect from the RF and even promised that Tatarstan would sign an individual treaty with his administration to consummate their new bi-lateral relationship.[460]

Up until this point in time, all three groups within Tatarstan had agreed upon the basic tenets for the forging a new relationship between the republic and the Soviet government. Yeltsin's declaration of RF political sovereignty had thrown a major unexpected opportunity to the regional elite that the nomenklatura, the democrats, nor the nationalists were particularly prepared for. All their plans for economic and political autonomy were formulated with the Soviet Administration in Moscow in mind as the main antagonist. Now, a new parallel source of administration and authority had been introduced to the equation, the RF. None of the groups had figured on a split in the Soviet federal framework. This provided the nationalists with the opportunity to fulfil their nation state priorities, while simultaneously menacing the authority and legitimacy of the republican political establishment. For their part, the Tatar nomenklatura saw Russia's declaration of sovereignty as a direct threat to their desire for Tatarstan to garner Union Republic Status within a revamped Soviet federal institutional framework. [461]

Up until the crisis surrounding the new Union treaty put forward by Gorbachev in 1990, both the nationalists and the political establishment found common ground between their respective interests. If Tatarstan could increase its economic autonomy from the centre as well as accomplish the addressing of the ethnic issue in an amicable manner, both groups' priorities would have been fulfilled. However, already in the late 1980's rifts began to develop between the two competing groups, centring on the frequency and degree of nationalist demands regarding the nationality issue. In particular, nationalist territorial claims that included the reintegration of areas populated by Tatars ruffled the feathers of neighbouring oblasts' regional administrative elites. The demands made by the nationalists struck at the heart of the nomenklatura's main interest: the maintenance at all costs of stability in the republic.[462]

However, the pace and scale of events occurring outside of Tatarstan's borders in essence forced the nomenklatura's hand vis-à-vis the nationalist position on the economy and sovereignty from the centre based upon nationalist principles. In the wake of growing discontent in the Baltic union republics in 1989, at the CPSU's Central Committee Plenum on inter-ethnic relations the Tatar

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[460] See Aleksei Zverev, "Qualified Sovereignty: The Tatarstan Model for Resolving Conflicting Loyalties" in Michael. Waller, B.runo Coppieters and Aleksei Malashenko (eds),*Conflicting Loyalties and the State in Post Soviet Russian and Eurasia* (London: Frank Case, 1998), pp.119-143 (p. 122).
[461] See Zverev (1998), p. 123
[462] See Kondrashov (2000), p. 119

political establishment publicised a proposal for the re-working of the Soviet federal framework which advocated a large share of political and economic control to the regions. [463]

By the looks of the proposal, the acquiescence to the nationalists' position on language, identity and culture along with requests for the Soviet federal authorities to fund the programmes indicates that the nomenklatura's own position had adjusted towards that of the nationalists. In a sense, a tacit agreement had been forged between the two sides. However, despite the appearance of a policy victory for the nationalist camp, the nomenklatura had not lost their tactical advantage to their opponents. In fact the pact between the two groups would be temporary. Conditions that had led to the nomenklatura's partial adoption of the nationalist programme were external. Public pressure for changes in the federal framework was not so palpable from sources within the republic itself, but from outside Tatarstan.

In fact it could be interpreted that the political elite wanted to avoid the appearance of populist in Kazan and stole the initiative from the nationalists by presenting their platform to Moscow, thus ensuring the nomenklatura a part of the nationalism discourse and not affording the nationalists monopoly control over the issue in public. As for the democrats, they also owned a small piece of the nationality issue when it was pertinent to the public debate on the union status of Tatarstan, but due to internal squabbling were unable, despite their presence in the community, to mount a serious attempt at carving out themselves a niche in the political debate in the republic. The nationalists may have held the moral high ground in terms of the political debate in the republic, but the nomenklatura, owing to their monopoly over information and administrative mechanisms in the republic was able to compromise on conceivably controversial issues and not lose their monopoly of decision-making authority in Kazan or their strong position regarding an ever weakening political centre in Moscow. [464]

If the nomenklatura's advantages were on display publicly, they were on display for all to see in the parliamentary elections to the republic's Supreme Soviet in the spring of 1990. The 250 seat legislative body was composed of eight major factions after the republican plebiscite. The two of the parliamentary factions dominated the legislature: Tatarstan's Deputies group 70 seats, Soglasie (Accord) 50 seats.[465] According to Kondrashov, the majority of the parliamentarians were associated with the republican political establishment. The delegates' former backgrounds included party officials, government administrators, industrial and agricultural managers. Overall the political establishment garnered 128 seats, close to 51 percent of the legislative seats.[466]

The elections were interpreted by the public in Tatarstan as politics as usual.[467] The former communist party leadership had just switched from being in the party apparatus behind the scenes

[463] They demanded the transition of the USSR to a two-tier federal system 'sovereign republic and the Centre'; the rights to control and freely use the republic's natural resources and other assets and have broad autonomy in economic matters. They asked Moscow to specify ways in which the republic could satisfy the national and cultural needs of the ethnic diaspora living outside their titular republics, and in particular, they called for a scheme of compensation for republican expenses on this account. And they asked that legal guarantees of real bilingualism in the national republics should be provided. Ibid., p. 123

[464] ibid., p. 130

[465] See Aleksei Zverev, "Qualified Sovereignty: The Tatarstan Model for Resolving Conflicting Loyalties" in Michael. Waller, Bruno Coppieters and Aleksei Malashenko (eds),*Conflicting Loyalties and the State in Post Soviet Russian and Eurasia* (London: Frank Case, 1998), pp.119-143 (p. 123)

[466] See Kondrashov (2000) p 135

[467] The nationalists' and democrats' weaknesses become painfully apparent when the new head of the parliament is appointed from the ranks of the nomenklatura. M. Shaimiev, former first secretary of the regional communist party won the position with 70.9 per cent of the vote against nationalist candidates from the TPC and Ittifak. See Kondrashov (2000), p. 135

to the parliament in full public view. However, some crucial changes to the republic's political dynamic did take place. By gaining access to parliament the nationalists also obtained a direct link to the republic's media as well as government information agencies. It seemed that the nationalist platform could gain from even the marginal performance in the elections. The democrats did not fare so well. Politically, the democrats were not a good partner for either the political establishment or the nationalists. As an anti establishment party, the democrats called for the complete overhaul of the republic's leadership cadre and the rejection of what they perceived to be the Tatar, ethnocentric nation state platform of the nationalists. Again they were left out of the reforming nationalist nomenklatura coalition.

The major policy document to be produced by the parliament was the republican declaration of sovereignty on 30 August 1990. The document was a collection of the three dominant elite groups' positions on the central issues facing the republic at that time. As mentioned earlier, the inability of Gorbachev to convince Union republican leaders to sign on to his vision of a reformed power sharing agreement within the Soviet federal framework had serious structural repercussions for both the Union and autonomous republics within the union level units. In the tit for tat struggle between Gorbachev and Yeltsin, two parallel structures of political authority had been formed. On the one hand was the Soviet administrative organs and on the other the newly independent administrative institutions of the RF. In their struggle against one another, both Gorbachev and Yeltsin had attempted to use the autonomous republics within the Union republics to limit one another's legitimacy and access to state authority. While Yeltsin's visit to Kazan in August 1990 had shocked the nomenklatura, it emboldened both the nationalists and the democrats.

The immediate reaction of the nomenklatura was to call for Union republican status for Tatarstan. This would have allowed the nomenklatura to directly negotiate with Gorbachev's centre of power and ignore the RF, thus limiting the number of partners Kazan had to deal with while sorting out the republic's economic and political status in the future. The document first released on 7 August did not satisfy the ethnic interests of the nationalists or the political requirements of the democrats. Both found the document to be too vague and again the political establishment was accused of settling for stability instead of forwarding the interests of the Tatars. The nationalists and the democrats, despite their mutual disregard for the declaration, could not find common ground on the crucial issue that divided them from the outset: the relationship between nationality and the state. The nationalists were against the 7 August draft because it did not declare Tatarstan's full independence. At the same time, the democrats reviled the document exactly because its call for sovereignty from the RF put the republic on the path of rejecting the reformist principles espoused by Yeltsin. Principles shared by the Tatar democrats themselves.

The situation in the Supreme Soviet was political gridlock; neither side was willing to budge on nature of their core preferences. On the streets, the radicals from the nationalist and democratic blocks blockaded the parliament building for days. A sense of political and social crisis pervaded. On 27 August all sides in the republic's crisis came together for a second session in the Supreme Soviet in an attempt to hammer out a more suitable document which would outline the republic's political status within the federal framework. All sides agreed that economic autonomy and some for of political sovereignty from Moscow were key points that needed to be included in the new draft document. Following preliminary wrangling over the agenda, debate on the republican declaration of sovereignty commenced. The issue of sovereignty which had been a sticking point among the three groups was resolved by not indicating from which federation, the Soviet or Russian, Tatarstan was declaring itself sovereign. The USSR, the RF and other states were mentioned separately in the declaration, according each equal status vis-avis each other. Secondly, ownership over the republic's resources was as expected passed to the control of Tatarstan. Third, the issue of nationality was also taken up and dealt with in the document. Tatarstan would be a

multi-ethnic state as symbolised by the declaration of both Tatar and Russian as official languages of the republic.

The document itself was the product of a very complicated set of compromises put forth by each of the competing groups. On each of the three core components of the document, nuanced solutions were found in order to satisfy the interests of each group in order to prevent one faction from defecting from the process and possibly causing irreparable damage to the republic's own domestic stability and its bargaining strength vis-a-vis the federal centre. In this respect, the declaration of sovereignty satisfied the major concerns of political stability of the regional political bosses. Not only did the language of the document insure that none of the major institutional players, the USSR, the RF or Tatarstan was marginalised by the declaration, but it also left much room for political manoeuvring in terms of the language of the document for all republican groups. Secondly, the declaration was not ambiguous on the more concrete issues of the economy. Increased control over the republican means of production would benefit all groups across the board by providing the source of financial and economic capital necessary to promote their particular visions for the region later on. The self determination issue was outlined in such a manner so as to afford the maximum in terms of concrete benefits ascribed to the republic's ethnic Tatar population while maintaining a sense of moderation when it came to ethnic sensibilities in and outside Tatarstan.

1991–1992

The beginning of 1991 saw both the nationalists and the political establishment in Tatarstan consolidate their newly won positions on the domestic level while the nomenklatura pursued their power maximising agenda at the federal level. For their part, the nationalists sought to build upon the momentum gained in the sovereignty declaration by calling together the second congress of Tatar peoples in February. There the nationalist economic and ethnic agenda was extended beyond the borders of Tatarstan and centred on uniting the diaspora through ethnic ties, solidify the historical role and image of Tatars as a compromise between East and West, and the establishment of a Tatar centred economic zone in the Ural–Volga region.[468] The nomenklatura also pursued a strategy that extended beyond the geographical limits of the republic in political terms. Still concerned with the status of Tatarstan in the soon to be extinct Soviet federal system, the political bosses of the region engaged in direct negotiations over the future format of the revised Soviet Union as well as having input into the establishment of the post of president of the RF.[469] The democrats remained isolated politically and for the time being only played a minor role in the struggle amongst the republic's competing interests. Instead they focused inwards, outlining their political and economic agenda for Tatarstan, including a call for the transition to a market economy, a multi-party political system and a free republican press.

Two major events would again test the alignment of interests within the republic and call into question the ability of each group to react to the ever changing political and economic environment in which they competed. For the first time in the republic's history, presidential elections would be held in Tatarstan. At the federal level, the August Coup against the Soviet government of M. Gorbachev rob the Soviet federal centre of its authority and legitimacy and create a power vacuum to be eventually filled by B. Yeltsin's RF administration. At the domestic level, the involvement of the nomenklatura in negotiating Tatarstan's status within a reformed USSR enraged the radical wings of the nationalist movement. The nationalists were obsessed with the notion that the political establishment was selling out on the sovereignty issue in order to guarantee themselves a more beneficial political arrangement within the proposed future Union Treaty. The nationalists

[468] See Zverev (1998), p. 124
[469] See Kondrashov (2000), p. 156

formulated an action plan which supported the speeding up of the implementation of the tenets outlined in the republic's sovereignty declaration. These points included the establishment of the post of president of Tatarstan.

Again, as in the previous year, the nationalists' political momentum was stolen by the nomenklatura. Taking advantage of the leading position within the Supreme Soviet, M. Shaimiev officially called for a vote on the establishment of the post of president of the republic. Kondrashov sees the move not so much as reactionary, but falling into line with the general strategy of the region's political leadership. [470]

With one move, the nomenklatura had both strategically outflanked the nationalists in the domestic political arena and strengthened their position at the federal level as well by bolstering their political legitimacy by way of public plebiscite. The major contingency was that the nomenklatura would have to win the election in a free and at least on the surface, fair manner. The nomenklatura set out to do just that. Utilising the administrative and bureaucratic advantages at their disposal, the political elite overcame the preliminary squabbling over agenda setting in the legislature and set the rules for the upcoming election. Meanwhile the nationalists were unbelievably more concerned with disrupting the upcoming nationwide referendum on the presidency of the RF. Their major demand that they presented in terms of the post of republican president was the language issue; the president would have to be bi-lingual. The democrats were opposed to the language requirement for the post, but supported the idea of the presidency overall, as long as the republic would take part in the elections of the RF president. For their support of the republican elections, the democrats earned several concessions from the nomenklatura including constitutional guarantees of separation of powers between the president and the legislature and reducing bias in media coverage away from the nationalists.

By the time that the nationalists realised that Shaimiev and the political elite had broken their alliance to side with the democrats to structure the presidential elections, it was already too late. The nationalist position was in such disarray that they failed to back a candidate for Tatarstan's president. Shaimiev became the only candidate to be officially sanctioned by the parliament to run for the presidency. Meanwhile the elections for the Russian presidency, which the nationalists had attempted to prohibit in Tatarstan, were allowed by the republican parliament to be held on the same day. However, the Tatar administration would not go out of its way to support the elections and in fact used its administrative muscle to keep turnout for the election below the minimum needed by Russian law to confirm the results. As expected, Shaimiev won the presidential election handily, while the number of votes cast in the nationwide referendum on the Russian presidency failed to reach the appointed quota.[471]

While the three groups were sizing each other up for their next confrontation concerning the future direction of Tatarstan's political development, events at the federal centre intervened and upset the regional power equilibrium once again. Seeing as though the regional political leadership preferred to deal with the Soviet federal authorities in pursuit of their own political agenda, it does not come as a shock that the Shaimiev administration supported the conservatives' coup against Gorbachev's flailing government. The August 1991 coup in Moscow brought with it the possibility for increased stability throughout the country and in some way may have guaranteed its supporters political and economic benefits later on. [472]

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[470] See Kondrashov (2000), p. 158

[471] Shaimiev won 70.9 percent of the vote in the republican election while at the same time only 36.6 percent of the voting public participated in the RF presidential plebiscite. See See Zverev (1998), p. 125

[472] See Zverev (1998), p. 125

The reaction of both the democrats and nationalists to the nomenklatura's support for the coup against Gorbachev was outrage. Both called for Shaimiev's resignation. The democrats actively appealed to both Yeltsin and Gorbachev to disband the Tatar parliament, rid themselves of Shaimiev and impose a new system of authority in the republic. At the time such a proposal seemed to be an appealing option for the Moscow elite. The nationalists on the other hand saw this as an opportunity to extend their influence by calling for full independence from the now defunct USSR and the RF as well.

Shaimiev, still in power, took advantage of the split between the two groups and once again played the nationalists off against the democrats. Shaimiev had perceived the dual threat that was posed to his own position by institutional instability in Moscow and Kazan. By unleashing the nationalists, he once again was able to defend his own political interests against the priorities of Moscow while preserving his legitimacy in Kazan by wrapping himself in the nationality issue against Moscow. However, the cost of this strategy was relatively high.

> Thus at this critical time President Shaimiev owed his political survival to the position of the ruling elite and backing from the nationalists. These factors proved to be decisive at that juncture because the public remained undecided. Indeed, President Shaimiev's ratings were dangerously low: an opinion poll in Naberezhnye Chelny in late August 1991 revealed that while Gorbachev enjoyed support from 45 percent of the population and Yeltsin was supported by 79 percent, merely 18 percent of the population (mostly Tatars) had trust in Shaimiev.[473]

What followed was social and institutional chaos. The radical nationalists took to the streets and denounced what was termed as Russian Imperialism and called for immediate independence. The newly invigorated democrats took the opportunity in the collapse of Shaimiev's popularity called for new parliamentary and a re-run of the presidential elections held earlier in the year. This time, the elections would be held in a multi party format and not according to rules developed through back room politicking by the regional authorities. Shaimiev tried to run both the democrats and nationalists into an institutional dead-end by offering them posts in a soon to be created presidential advisory body, the State Council. This time both sides rejected the offer, probably sensing that the council was just another opportunity for Shaimiev to co-opt either side into the nomenklatura's camp.

The nationalists continued to push their advantage and persisted in their drive for full independence for Tatarstan both publicly through demonstrations in front of the republican parliament and institutionally in the legislative sessions. The parliamentary sessions came to a standstill when none of the factions could agree on the proper formal formulation of Tatarstan's independence from the RF. Finally it was Shaimiev who stepped into the void and once again provided the essence for a political compromise. Taking into consideration both the preferences of the domestic opposition groups and the current priorities of Moscow, Shaimiev let the information leak out to the parliamentarians that negotiations between the RF and Tatarstan regarding the latter's status within the RF were already underway and that Shaimiev's position vis-à-vis the negotiations was very clear: Tatarstan would negotiate its status within the RF independently of the other constituent units, citing the republic's unique economic and cultural significance. The speech broke the deadlock. A motion proposing legislation on the independence issue was passed by the legislators in which precise plans for economic and political sovereign status of the republic would be laid out. The whole package would be put to a republic wide referendum to be held in March 1992.

For the radical nationalists, the compromise was not enough. Through the auspices of the Tatar National Congress, a parallel legislative body would be formed, the Milli Mejlis (National

[473] See Kondrashov (2000), p. 173

Assembly). Fearing the creation of an alternative legislative body would put Tatarstan on a course of events mirroring Chechnya, the moderate nationalists decided to support the independence referendum. The democrats along with the political establishment also sensed the danger manifested in the existence of the Mejlis and in the Supreme Soviet passed a motion declaring that the Mejlis and its associated activities were illegal and tantamount to a coup d'état. However, just declaring an organisation illegal wasn't a full guarantee that it would not become a threat to the nomenklatura's power and begin to sap legitimacy away from the republican political authorities.

Shaimiev then moved against the radicals' Mejlis by proposing his own Tatar congress, this time inviting Tatars from around the world to discuss the future of Tatarstan and to develop a united platform for the Tatar state's further development. [474] The coupling of a formal vote on the question of sovereignty and the sponsoring of the broadest possible public discussion on the future of Tatarstan worked out in Shaimiev's favour. In terms of the referendum on Tatarstan's status within the RF, 61.4 percent of the population voted for sovereignty.[475] Both moves undercut the legitimacy of the radical nationalists and sealed the fate of the nationalist movement as a political force in the republic.

The actions of the president had channelled the debate concerning Tatarstan's sovereignty into official institutions such as the parliament and the executive branch. Second, Shaimiev as the soul wielder or executive power subsequently garnered a gate keeper position and subsequently marginalised the position of the nationalists concerning negotiations over Tatarstan's status with Moscow. Finally, as the sole legitimate agent for Tatar interests, Shaimiev ultimately chose to end the independence rhetoric and the succession talk. [476]

1992–1994

By the end of 1991, Soviet administrative power had dissipated and the Gorbachev administration ceased to exist as a centre of decision-making in the country. Regional elite groups were faced with a nightmarish scenario in terms of their attempts to reorganise federal regional relations in the country. The established centre of power, the Soviet government staffed by the CPSU, was seen at least by the leadership in Tatarstan as a more viable partner with whom to hammer out a new federal framework. For one thing, the regional leadership and the Soviet federal administration under Gorbachev had shared common interests based upon their shared party affiliation, regime type preference and administrative logic. However, the Yeltsin administration of the newly formed RF was an unknown in terms of its political agenda. Yeltsin had spoken of opening up the system to liberal democratic reforms, including the introduction of a multi-party political system and market economy reforms. How much of his words were rhetoric and how much was substantive policy remained to be seen. Despite the quality of the content, these positions may have been attractive to the perestroika democrats, but in a way, they composed a major threat to the centralised economic and political power bases of the regional nomenklatura, many of whom still maintained their communist party based networks despite formally being part of a newly elected, 'communist party free' government.

At the outset of 1992, the Yeltsin administration had decided to take the initiative in regard to federal relations with the regions. The document that was prepared to set the foundation of the future federal system in the RF was the Federation Treaty.[477] In the treaty the Russian federal centre

[474] See Yemelianova (2000), p. 45
[475] The wording of the referendum question was formulated in this way: 'Do you agree that the Republic of Tatarstan is a sovereign state, a subject of international law, building its relations with Russia and other republics and states on the basis of equitable treaties?' See Zverev (1998), p. 129
[476] Zverev (1998), p. 127
[477] See Zverev (1998), p. 128

outlined three areas of general competencies that would be delineated between Moscow and the federation's constituent units. Priority in policy formation and implementation decision-making in terms of the country's defence, economic policy, energy, and law enforcement was solely under the control of the federal centre. Joint jurisdiction over issues such as constitutional law, education, natural resources, social welfare, and taxation was allocated between Moscow and the regional capitals. Finally the regions held sway in the areas of foreign trade, land usage, and the determination of extraordinary emergency powers.

Within the context of the proposed reconstructed federal relations within the RF, Tatarstan's leadership had formulated its own approach to the federal question. Having effectively neutralised the region's democratic and nationalist opposition, the region's elite were in a position to bargain from a position of relative strength in the determination of degrees of legal, socio-economic and political competencies with Moscow. The region's position was based upon its own definition of sovereignty. Tatarstan had maintained a moderate position in terms how much independence it was willing to take from the centre. Already at the time of the presidential elections, Shaimiev had hinted at a special relationship with Moscow that would not amount to excluding Tatarstan from any new federal agreement, but would still allow Tatarstan the authority to essentially determine its own economic and political fate beyond the reach of the Kremlin. The region's constitution had set the standard for relations with Russia in that the document afforded the region complete ownership and control over its economic and natural resources, primacy in domestic law enforcement, citizenship, and communications and external trade.[478] Upon this basis, negotiations with Moscow on Tatarstan's federal status would be based.

The gap between Tatarstan's own conception of sovereignty and the proposed structure in the Federation Treaty caused the region's leadership to reject signing the document.[479] What ensued was another game of political chicken between Yeltsin and Shaimiev. In line with the economic policies of the region outlined in the declaration of sovereignty, Tatarstan passed legislation to limit the amount of taxes it paid to the RF budget. As a response, the Russian authorities took advantages of the remnants of the centralised economic system in the country and stopped the flow of spare parts to Tatarstan's oil industry.[480] By the middle of the year, Yeltsin's position as the head of the RF seemed to be in trouble. Economic crisis coupled with constitutional uncertainty undercut his authority with the regions. With a major republic such as Tatarstan and an increasingly unstable Chechnya both rejecting the Federation Treaty, Yeltsin had lost the momentum he had accumulated at the end of 1991. To make matters worse, Tatarstan was on the path to formulating its own republican Constitution[481] by the end of 1992. Without a comparable federal document to counter regional claims for expanding political and economic authority Moscow faced the growing possibility of territorial disintegration of the infant Russian state.

By 1993, the battle of wills between Kazan and Moscow escalated from the use of unofficial economic sanctions to a public battle of institutions. Moscow had refused to recognise either of Tatarstan's fundamental legal documents, the Declaration of Sovereignty and the republican Constitution. In return, Shamiev again resorted to undermining support for Yeltsin in the republic. A nationwide referendum in support for the Yeltsin as president of the RF was held in April 1993.

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[478] See Gorenburg (1999), p. 252

[479] Chechnya was the only other autonomous republic within the Russian Federation not to acquiesce to the signing of the treaty in March 1992.

[480] See Zverev (1998), p. 129

[481] The Constitution of the Republic of Tatarstan served to legally formalize the tenets outlined in the Declaration of Sovereignty including the secular nature of the state, economic ownership, sovereignty and acknowledges the republic's unique multi-cultural demographics (language and ethnicity. The Constitution also served to consolidate the republic's institutional structure, the political division of powers and right to conduct its own foreign relations as a subject of international, not Russian law. See <http://www.tatar.ru/?DNSID=f042a61e5c435e3805f4bd77bb2cc826andnode_id=1384> accessed on 16.10.2007.

Turnout in the republic was very low, less than 25 percent. Yeltsin's fortunes did not improve as the year progressed. Growing tension between the executive and legislative branches of the federal government was approaching its crescendo. The promises of economic and political concessions from Moscow to the regions during Yeltsin's battle for power with Gorbachev had upped the ante in solving the RF's federal institutional crisis. Moscow was perceived as weak for it needed the regions to agree to some sort of federal power sharing agreement for the Moscow elite to remain in power. Regional representatives in the Russian parliament used the legislature, elected in the Soviet era to push their advantage. Yeltsin's staff cajoled regions including Tatarstan individually, sometimes resorting to military threats.[482]

The building federal constitutional crisis in Moscow was finally averted in the fall of 1993 when Yeltsin called for the dissolution of the Russian parliament and then shelled the parliament building when the deputies would not leave their offices. By resorting to military force to solve the conflict between the regions and the federal centre, Yeltsin had staved off not only his own removal from power, but in a much larger sense probably ended the open ended bargaining game that was institutionalising itself amongst the regions and Moscow centre by establishing military force as the final and ultimate arbitrator for establishing the federal system in the RF. Tatarstan like the other regions that had been on the path to pursuing a boundless strategy of power acquisition at the expense of the federal authorities in Moscow were brought back into the institutional fold through the use of physical force. However, this did not mean that the republic's leadership would swallow Moscow's platform fully. In fact when the Russian Federation's draft constitution was submitted for federal referendum, the Tatar electorate refused to support the document's approval.[483]

Even when institutional stability returned to the RF after the Constitutional crisis of 1993 with the adoption of the new Constitution and the lection of a new parliament, relations between the RF and Tatarstan had not been formally organised. From 1992-1994, the Yeltsin and Shaimiev administrations had been hard at work behind the public scenes of discord to hammer out their economic and political relationship.[484] Still the overall rules of the game had not been publicly agreed upon or published. Following the ugly events of 1993 between the president of the RF and the regional representatives in the parliament, all sides would evidently have stood to benefit from a normalisation of federal regional power sharing issues. In the case of Tatarstan, both Kazan and Moscow understood that a total re-writing of the corresponding relationship would be too costly in terms of both sides' particular political and economic interests. Instead of building on the differences that had been formally enshrined in the two Constitutions, a compromise of sorts was forged between Kazan and Moscow. In 1994, the first of the twenty or so bi-lateral agreements between Moscow a majority of the autonomous republics and several of the RF's oblasts and krais was signed. Tatarstan's bilateral agreement inaugurated the period of asymmetrical federalism in the RF. Based upon existing political, economic and social conditions, the bi-lateral agreement ceded control over the following powers to the Republic of Tatarstan:[485]

The bi-lateral agreement was met with mixed results publicly both at the federal and regional level. The nationalists had seen the document as another example of the nomenklatura extracting

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[482] See Matsuzato (2001), pp. 66-67

[483] To this day the Constitution of the RF has not been signed by the Republic of Tatarstan.

[484] More than a dozen separate agreements on economic ownership, trade, banking and the military were signed between the two sides. Zverev (1998), p. 136

[485] These included minority Rights and Religious Secularism; drafting of the republican budget; taxation policy; citizenship; military service; foreign relations; legal jurisdiction; and economic ownership of republican based industries. A full copy of the bi-lateral agreement is available on the republican website at <http://www.tatar.ru/?DNSID=0438a42e1b68e9f3fcaab42bf48a6835andnode_id=813> accessed on 10.16.2007.

concessions from Moscow at the expense of the independence issue. A similar tack was taken in Moscow by Yeltsin's main opponent, the Russian Communist Party which saw the agreement as giving away too much in terms of economic and political power to Tatarstan and setting a dangerous precedent for other like minded regions to follow in the future. However, the agreement did strike a positive cord with republican business which saw the agreement as formulating economic ties and political control over the region's economy and thus would facilitate FDI and subsequent development.[486] It must also be said that the manner in which the bi-lateral was reached demonstrated the ability of the republican leadership to utilise its administrative and informational resources to undertake complicated negotiations in pursuit of an ultimately successful political and economic agenda. [487]

The Shaimiev Regime and Conditions of Federal Bilateralism 1994–1999

The regime that had been forged in Tatarstan during the institutional inchoateness of 1989–1994 is of particular interest. Taking into consideration the almost impossible political, economic and social conditions under which the regime developed, the leadership both in Moscow and particularly in Kazan should be recognised for their ability to actively create a framework in which a viable division of institutional competencies was hammered out and persists to this day. Shaimiev's negotiation strategy produced what can has been coined the "Tatarstan Model" which has been described as, "increased self-rule and economic well being",[488] "a peaceful resolution of the republic's status"[489] and "the attempt 'to overcome regional thinking' and orientating to the global economy and culture".[490] The regime's characteristics have been discussed thoroughly; notably that Tatarstan's sovereignty is underwritten by specific observable attributes which include:

- Nomenklatura based power structure / electoral political machine (Matsuzato[491]);
- Multi-cultural state with a mono-centric ethnic nation-building bias (Yemelianova,[492] Faller,[493] Bahry,[494] Graney,[495] Drobezheva,[496] Kolosov,[497] and Kaplan[498]);

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[486] See Zverev (1998), p. 139
[487] See Matsuzato (2001), pp. 67-68
[488] Dmitri Gorenburg, "Regional Separatism in Russia: Ethnic Mobilisation or Power Grab?", *Europe Asia Studies,* Vol. 51, No. 2 (1999), p 269
[489] See Aleksei Zverev, "Qualified Sovereignty: The Tatarstan Model for Resolving Conflicting Loyalties" in Michael Waller, Bruno Coppieters and Aleksei Malashenko (eds), *Conflicting Loyalties and the State in Post Soviet Russian and Eurasia* (London: Frank Case, 1998), pp.119-143 (p.119)
[490] Magomedov, A.K. (2001): "Regional Ideologies in the Context of International Relations" in *Regionalisation of Russian Foreign and Security Policy* Working paper No. 12 p 29 ETH Zurich http://e-collection.ethbib.ethz.ch/ecol-pool/incoll/incoll_632.pdf
[491] Kimitaka Matsuzato, "From Ethno-Bonapartism to Centralised Caciquismo: Characteristics and Origins of the Tatarstan Political Regime", *Journal of Communist Studies and Transition Politics,* Vol. 17, No. 4 December (2001), pp. 43-77
[492] Galina M. Yemelianova, "Shaimiev's Khanate on the Volga and its Russian Subjects", *Asian Ethnicity,* Vol.1 No.1, March (2000), pp 37-52
[493] Helen M. Faller, "Repossessing Kazan as a Form of Nation-building in Tatarstan, Russia", *Journal of Muslim Minority Affairs,* Vol. 22 No. 1(2002), pp. 82-90
[494] Donna Bahry, "Ethnicity and Equality in Post-communist Economic Transition: Evidence from Russia's Republics" in *Europe-Asia Studies* Vol. 54, No. 5, (2002), pp. 673-699
[495] Katherine E. Graney, "Education Reform in Tatarstan and Bashkortostan: Sovereignty projects in Post Soviet Russia" in *Europe-Asia Studies* Vol. 51, No. 4, (1999), pp. 611-632
[496] Leokadia .M. Drobezheva, (2000): "The Social Base for Sovereignty in Tatarstan and Yakutia" *Conference proceedings from The Future of Russian Federalism: Political and Ethnic Factors* available at<http://federalmcart.ksu.ru/conference/konfer1/drobizheva.htm> accessed on 16.10.2007.
[497] Vladimir Kolosov "Ethnic and Political Identities and Territorialities in the Post-Soviet Space", *GeoJournal* Vol.48, No.2 (1999), pp. 71-88

- Crony Capitalism (Sharafudinova[499] and McCann[500]); and
- Paradiplomacy (Slocum,[501] Sharafudinova,[502] and Magomedov[503]).

All the above traits are interlinked to one extent or another in a myriad of ways. For the sake of analytical clarity, the four categories are divided into two general sets: core and induced regime preferences.[504] The Tatar state's core preferences are symbolised by the method in which the regime's political power is institutionalised and the region's economic wealth is produced and distributed. The induced preferences are distillates of the state's basic political institutions and economic priorities: economic and political sovereignty from the federal centre, secular, multi-ethnic nation state, with a regional and international economic and political agenda (paradiplomacy).

The Tatar Nomenklatura: An Electoral Political Machine

Two characteristics come to mind when describing a political machine: the staffing of a specific cadre of personnel in administrative positions to perpetuate agenda control in state organs and the political cadre's ability to legitimise itself and the cadre system by utilising administrative resources to influence the outcomes obtained in popular elections. This self reinforcing linkage of cadre, institutional resources and public legitimacy is under written by enforcement mechanisms embedded in the cadre itself. As it will be shown in this section, the cadre owes its prominent position in the state decision-making apparatus due to the political leadership of the state itself. Loyalty to the state's leadership is the mechanism that enforces the rules of the game in a monolithic, political machine. The regime of President Shaimiev of Tatarstan displays several of these key characteristics. [505]

The human capital needed for stacking the government with loyal staffers has been determined to a great extent by the specific nature of Tatarstan's demographics. Urbanisation under the Soviet system left a mild, yet distinctive divide between rural and urban populations when it came to ethnic composition and the nature of socio-economic opportunities afforded to both communities. In general, Russians who were a minority within the republic, but a majority in the urban population were more likely to follow a technical, professional career path than the Tatars who for the most

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[498] Cynthia S. Kaplan, "International Negotiations and Plural Societies: The Cases of Estonia and Tatarstan", *International Negotiation* Vol. 2, No.1 (1997), pp. 43-78

[499] Gulnaz Sharafutdinova, "Crony Capitalism and Democracy: paradoxes of Electoral Competition in Russia's Regions" *Working paper #335* (2007) available at <http://kellogg.nd.edu/publications/workingpapers/WPS/335.pdf> , "The Oligarchs are Coming?! Political Implication of Capital Expansion in the Case of Tatarstan" (2004) available at <http://casnov1.cas.muohio.edu/havighurstcenter/papers/Young%20Researchers%2004/Sharafutdinova.pdf> and "Crony Capitalism and Pluralism Democracy Undermined by Competitiveness?" (2003) available at <www.sog-rc27.org/Conference/dc_2003_papers.html> accessed on 16.10.2007.

[500] Leo McCann, "Globalisation and Post-socialist Development: The Tatarstan variety of Capitalism", *Post Communist Economies,* Vol. 16, No. 3 September (2004), pp. 349-362

[501] John W. Slocum, "A Sovereign State within Russia? The External relations of the Republic of Tatarstan", *Global Society,* Vol. 13, No. 1(1999), pp. 49-75

[502] Gulnaz Sharafutdinova, "Paradiplomacy in the Russian regions: Tatarstan's Search for Statehood", *Europe-Asia Studies* Vol.55, No.4(2003), pp. 613-629

[503] Arbakhan K. Magomedov, "Regional Ideologies in the Context of International Relations" in *Regionalisation of Russian Foreign and Security Policy* Working paper No. 12 (ETH Zurich, 2001), pp. 5-39 available at <http://e-collection.ethbib.ethz.ch/ecol-pool/incoll/incoll_632.pdf> accessed on 16.10.2007.

[504] Gerard Alexander, *The Sources of Democratic Consolidation* (Ithaca and London: Cornell University Press, 2002): p. 32

[505] Kimitaka Matsuzato, "From Ethno-Bonapartism to Centralised Caciquismo: Characteristics and Origins of the Tatarstan Political Regime" , *Journal of Communist Studies and Transition Politics,* Vol. 17, No. 4, December (2001), p. 52

part of the 20th century composed the bulk of Tatarstan's under-skilled, rural workforce. During the belated move from the countryside to the urban centres, Tatars began to fill the void in political administrative positions in the republic. This phenomenon created a pool of personnel resources from which the republican communist party could draw upon to fill in its administrative ranks. [506]

It was these newly recruited rural youths that were used to staff the offices of the republican political and economic hierarchy. The cadre on the whole shared the same political socialisation achieved in their time spent in communist youth organisations and then within the communist party itself. Out of common professional experiences developed a shared decision-making logic, mutual interests and a sense of loyalty to the system that provided the cadre with their positions in government in the first place. These loyal functionaries were then put into positions of increased political significance, decision-making responsibility and trust. Applying the model of Latin American mid-level bureaucrats, Matsuzato demonstrates that the how the cadre system functions politically and literally embeds itself in the fabric of society.

> Caciquismo is a political regime in which caciques, local bosses, play the role of intermediary brokers between the central authorities and local communities. These bosses incorporate themselves into a hierarchy comprising a centre, regions, and localities, by way of political exchanges of patronage from above and mobilisation of votes during elections. Caciquismo is not a Weberian hierarchy based on command and subordination, but a federal hierarchy built up with common interests of upper and lower bosses.[507]

Common interests are on display at the time of public plebiscites in the republic. Presidential elections have been held in the republic of Tatarstan on three occasions, 1991, 1996, and 2001.[508] Each time the leading candidate, M. Shaimiev has monopolised public support for his candidacy and won the elections handily.[509] Two theories are put forward to explain why Shaimiev has been able, despite his advanced age and nomenklatura background, to remain as the head of the republic. Sharafutdinova hypothesises that it is the regime's mono-centrism along with economic and political stability embodied in the Tatarstan Model that affords Shaimiev overwhelming public support during the election season.

> This legitimacy is based both on the ideological 'production' of the 'Tatarstan model' as a stable and peaceful republic, and on the public assessment of economic, social and political realities in the republic.[510]

On the other hand, Matsuzato[511] provides a deeper, structural analysis as to possibly why the system exudes a sense of stability beyond that produced by the regime's economic and social policies. It

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[506] ibid., (2001) p. 53
[507] ibid., (2001) p. 54
[508] It is interesting to note that the elections took place under very different conditions in the republic and the federation itself. It has been hypothesised that the first presidential election in 1991 was run in order to give a popular mandate to the republican leader Shaimiev to legitimise him as the republic's unquestioned leader and bolster his negotiation position vis-a-vis Moscow. The second election can be seen as a plebiscite on Shaimiev's handling of the federal negotiations from 1991 to 1994 and his victory consolidated his personal position as well as Tatarstan's regime type. Finally, the third presidential election in 2001 may be seen as a continuity plebiscite in that Shaimiev's regime has been able to reinvigorate itself and still remain politically and economically relevant for the republican electorate.
[509] In the first two elections, Shaimiev ran unopposed and garnered 71 and 97 percent of the vote respectively. In 1991 the nationalist opposition failed to support a candidate and the legal entrance barriers to participate set up by the republican parliament were prohibitively high. In 1996, the various republican opposition parties endorsed candidates, but they all failed to register their participation. In 2001, alternative candidates participated, but not one received anywhere close to the public support received by Shaimiev, 79 percent. See Gulnaz Sharafutdinova, "Crony Capitalism and Democracy: paradoxes of Electoral Competition in Russia's Regions" *Working paper #335* (2007), pp. 18-20 available at <http://kellogg.nd.edu/publications/workingpapers/WPS/335.pdf> accessed on 16.10.2007
[510] See Sharafutdinova (2007), p. 22

may well be that the caciquismo system of administrative control provides the electoral results that confirm in the public's eyes that the republican government is legitimate and rules in the public's interests. A key to maintaining public legitimacy for the nomenklatura system of control based is presidential political appointments. City and regional executives are named by the republic's president himself. In addition, these mid-level careerists in government service are required by Shaimiev himself to stand for office during local and republican level elections. In return, key regional executives pass on benefits to the president by getting out the vote for Shaimiev in their local constituencies. Failure to do so means losing one's post.[512]

Crony Capitalism: Relations between the Government and Tatneft

The organisation of the republican economy is directly fused with the institutions of the political machine outlined above. This amalgamated system of political and economic interests has led some scholars to speak of Russian regions' on the whole being dominated by a system of crony capitalism.[513] The argument for espousing the crony capitalistic conceptualisation of Russia's socio-economic and political transition is based on the appearance of mono-centric regimes, such as that in Tatarstan, and the associated informal networks that form the regime's economic and political powerbase. These informal networks are comprised of personal connections amongst regional bureaucrats, functionaries and the region's political leadership. This web of personal links acts as an enforcement mechanism in the place of functional limited government and a system of checks and balances on administrative power among the relevant branches of government. The networks in turn foster a sense of commitment to the established rule of the game amongst competing societal groups by ensuring the costs for deviance are prohibitively high for all actors. The system of informal rule enforcement is tinged with a highly personalised character; individuals such as President Shaimiev literally become the face of the regime, symbolising political power through their ability to pass out privileges to their constituents or by 'getting things done' despite the predatory activities of a corrupt or ineffective bureaucracy. Finally, the system of informal networks may not influence the development course of political institutions as once previously thought:

> Russia's experience with crony capitalism reveals that these informal arrangements among political and economic elites can co-exist with electoral institutions, which are actually functioning under the conditions of political contestation.[514]

The highly centralised, personal nature of economic and political interests in Tatarstan is further evidenced by relations between the business community in Moscow and their predatory behaviour vis-à-vis regional industries.[515] As a separate entity in the RF, the city of Moscow benefited handsomely from the years of unfettered economic growth supported by foreign loans and spurred on by speculation on and export of the country's natural commodities by federal level businessmen, or oligarchs. After the collapse of the Russian economy in 1998, federal level business interests sought out new sectors in which they could diversify their investments in the country itself. The

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[511] Kimitaka Matsuzato, "From Ethno-Bonapartism to Centralised Caciquismo: Characteristics and Origins of the Tatarstan Political Regime" , *Journal of Communist Studies and Transition Politics,* Vol. 17, No. 4 December(2001), pp. 43-77

[512] See Matsuzato (2001), p. 55

[513] See Gulnaz Sharafutdinova, "Crony Capitalism and Pluralism Democracy Undermined by Competitiveness?" (2003) available at <www.sog-rc27.org/Conference/dc_2003_papers.html> accessed on 16.10.2007.

[514] See Sharafutdinova (2003), p. 6

[515] See Gulnaz Sharafutdinova, "The Oligarchs are Coming?! Political Implication of Capital Expansion in the Case of Tatarstan" (2004) available at <http://casnov1.cas.muohio.edu/havighurstcenter/papers/Young%20Researchers%2004/Sharafutdinova.pdf> accessed on 16.10.2007.

regions were a logical place to seek out for new companies and interests to acquire. Tatarstan with its advanced industrial base along with diversified set of production assets seemingly would be an excellent target for Moscow's capital expansion strategy.

However, the political agreements between Moscow and Kazan dating back to the early to mid 1990s had afforded the Tatar elite quite a bit of control over republican resources and its was this institutionalised ownership over republican industries that allowed Tatarstan's leadership to fuse economic and political interests under their own personal oversight. This consolidation of control facilitated the Tatarstani elite's 'circling the wagons' in the face of federal level economic predation of key regional industries. [516]

The key industry linked to political and economic stability of the Shaimiev's regime is the hydrocarbon sector, particularly the region's sole oil company Tatneft.[517] The company employs approximately 75,000 people and is responsible for contributing 50 percent of Tatarstan's Gross regional Product (GRP).[518] In interviews conducted by McCann with major industrial figures in 2003, the proximity of economic and political interests becomes self-apparent:

> The chairman of the board of directors of Tatneft is the prime minister of Tatarstan, P. Minnekhanov. There are over 125,000 shareholders in Tatneft. But the golden share (zolotaya aktsiya) is owned by the state. The board of directors inspects the budget of the company every month and creates the strategy. (Deputy Director of Kazan office of Tatneft, Kazan)[519]

Considered to be the cornerstone of the republic's economic stability, Tatneft has been allowed to expand its activities outside the traditional extraction and petrochemical production field boundaries into the republican banking, tire production, and gas transit sectors. Sharafutdinova sees this race to acquire regional assets as the government's attempt to protect regional companies from external take over.

> Several observations could be made in regards to the governmental strategies in the oil and petrochemical sectors. The government has strongly supported the growth and consolidation of its major companies in these sectors that pursued strategies of vertical integration, attraction of foreign capital and investment into new promising economic ventures. No outside groups were allowed to enter into these sectors of the republican economy. In fact given the strength and competitiveness of these enterprises, no such attempts have been made (at least not publicly known.)[520]

The merger of economic wealth and political power has not only created a buttress against economic and political predation from outside the republic, but has served to reinforce and replicate the internal political and economic structures set out in the republican constitution and the declaration of sovereignty. Social connections, clan ties, informal networks all serve to underwrite the power of the existing regime by devaluating the power of impartial institutions for highly

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[516] Sharafutdinova (2004) p 10

[517] "Tatneft's crude oil production in 2004 was at 25.10 million tons, slightly higher than in the previous year. Additionally, even in their 'weak' refining division, Tatneft has constructed the new Nizhnekamskneftekhim Oil Refinery and has launched its operations. Tatneft has also started to move to acquire controlling stock in the national refineries of the Czech Republic and Turkey. Tatneft will receive constant support from the government of the Republic of Tatarstan, and continue to produce, refine and sell crude oil within the Republic. Management of Turkey's Tupras Refinery which Tatneft acquired the controlling stake is a touchstone for the company. It would determine whether Tatneft would remain the present status of 'Regional Oil Company', or would be able to develop its international operation." See Goichi Komori, Sanae Kurita and Keishi Nakashima , "The Russian Oil Policies and Its Oil Industry Trends" IEEJ December 2005 available at <http://eneken.ieej.or.jp/en/data/pdf/311.pdf> accessed on 16.10.2007.

[518] Leo McCann, "Globalisation and Post-socialist Development: The Tatarstan variety of Capitalism", *Post Communist Economies,* Vol. 16, No. 3 September (2004), p. 353

[519] See McCann (2004), p. 353

[520] See Sharafutdinova (2004), p. 14

personalised, individually influenced enforcement mechanisms which guarantee to a certain degree the long-term success of the regional nomenklatura's economic and political agenda. [521]

Tatarstan's Sovereign, Secular, Multi-Ethnic State

Taking a quick glance at the Tatar Constitution the republic's delicate balancing act between the republic's multiethnic identity (Articles: 3/8/11), economic interests (Article: 16) and political institutions (Article: 9) are clearly visible. To further substantiate the formally balanced nature of the Tatar state, the Constitution clearly states the government's position on religion (secularism), the language issue (bi-lingualism) and economic sovereignty (republican control over economic resources). It is this balance that the Shaimiev regime has sought to consolidate and extend through its control of political and economic life in the republic. The concept of Tatarstan's nuanced sovereignty within the RF operationalises both the elite's and the public's understanding of the nature of the Tatar state, its priorities and the benefits accrued by the population by living under such an instructional arrangement. The Tatarstan model has combined the traditional, exclusive model[522] of the nation state, with its adherence to and support for an indigenous titular nationality, to form the boundaries of its relationship with the RF. At the same time, internal legitimacy has been procured through the employment of inclusive measures that are designed to incorporate and not exclude other members of the population such as ethnic Russians from the republic's political, economic and social life.

Education programmes undertaken in Tatarstan as early as 1994 operationalise the conscious attempt on the part of the Tatar elite to undertake what Graney[523] calls a sovereignty project, "a coherent, multifaceted effort aimed at fulfilling their declaration of sovereignty by investing them with empirical and discursive meaning." The multiethnic nature of Tatarstan's sovereignty project can be discerned in the republican educational system in which republican based institutions[524] have taken over the mantle of academic administration from those in Moscow and imparted their own programmes on language,[525] visions of civic society[526] and republican history[527] designed to legitimise and reinforce the policies and core preferences of the republican administration.[528]

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[521] See McCann (2004), p. 354

[522] More on the models of state development can be found in Vladimir Kolossov, "Ethnic and Political Identities and Territorialities in the Post-Soviet Space" in *GeoJournal* Vol.. 48, No.2 (1999), pp. 71-88

[522] Cynthia S. Kaplan, "International Negotiations and Plural Societies: The Cases of Estonia and Tatarstan", *International Negotiation* Vol. 2 , No.1(1997), pp. 43-78

[523] Katherine E. Graney, "Education Reform in Tatarstan and Bashkortostan: Sovereignty projects in Post Soviet Russia", *Europe-Asia Studies* Vol. 51, No. 4 (1999), p. 611

[524] In 1991, the Academy of Science of the Republic of Tatarstan was set up in order for the republic to harness intellectual resources to determine the future composition of the Tatar state. See Graney (1999), p. 614

[525] Language education in the republic has been geared towards the elevation of Tatar as the state's second language in direct line with the nationalists' political platform. This programme has been formally institutionalised throughout the educational system to cope with linguistic imbalance of the population 1 percent of Russians know Tatar whereas Tatars are practically bilingual as a group 77 percent speak Russian and 96.6 speak Tatar. At university level a faculty dedicated to producing Tatar language instructors to teach to Russian children Tatar as a foreign language was established at Kazan University in 1994. See Graney (1999), p. 617

[526] The nurturing of a particular Tatar 'world view' and the fostering of a 'national self-consciousness' in line with the republic's concept of sovereignty among the republic's students was undertaken in 1993 by the republican Ministry of Education. Starting in 1991, 30 Tatar national schools have been set up to foster this new vision. See Graney (1999), pp. 620-621

[527] The particular vision of history espoused by the administration is designed to promulgate Tatarstan's image as a progressive European culture. Republican authoritative figures such as R. Khakimov, Presidential Advisor on Political Affairs, see Tatarstan's sovereignty as an opportunity to promote the multiethnic Tatarstan state as a successful model of post communist transition to the West. See Graney (1999), p. 622

[528] "As historical experience shows, to build a sovereign state and defend its independence is possible only for those peoples who have their own system of education. Therefore it is no coincidence that such established states as the US, Germany, France and England direct a substantial portion of their resources to the funding of education. The Republic

The idea of state-sponsored secularism also fits into Tatarstan's sovereignty project. Despite not having the direct effect on societal relations and politics as in Chechnya, Islam plays a central role in the concept of both the Tatar state and ethnic identity of the Tatars. Islam, like the nationalist platform has been co-opted by the Shaimiev regime and as a potential challenger to the ruling elite's power in the republic, Islam's influence has been channelled administrative mechanisms that limit its potential influence over society outside already institutionalised boundaries both domestically and at the federal level.[529]

The official form of Islam in the republic is that of Jadidism, which is presented by the authorities as a progressive, Europeanised variant. Political figures such as R. Khakimov argue that Russia's Muslims would be better served if the Islam they practiced was in line with the constraints and demands of post-modern Europe and not in line with more radical forms of the religion practiced in and supported by regimes in the Middle East.[530] Despite the endorsement of Jadidist Islam by the republican authorities, the Islamic community is split. In 1998, there were 688 communities registered with the government with another 150 being unsanctioned. After an attempt was made to unite the communities under the auspices of one governing body in Kazan, 1998, the situation has remained the same. Following the unity congress there are still two groups of Islamic communities in the republic and two competing administrative bodies vying for the legitimacy of republican status and administrative control over both groups of Muslim communities in the republic.[531] Despite the split between unofficial and sanctioned communities, there has been little room for Islamic movements in opposition to the Shaimiev government to coalesce. The radical nationalists after splitting from the mainstream groups in the early 1990s sought an alliance with allies within the republican Muslim clergy. A political party, Omet (hope), was formed in hope of creating an Islamic opposition party to run for parliament. Like the Muslims of Tatarstan movement (1996), the party was not able to gather enough support to become a viable actor in Tatarstan's political electoral scene.[532]

It has been demonstrated that the process of urbanisation in the republic has left clear ethnic fault lines in terms of employment opportunities, career profiles, and education among the Russian and Tatar groups. However, both groups have carved out for themselves societal niches, such as the Tatars forming the bulk of the political base of the Shaimiev regime, while the Russians form the republic's professional economic class.[533] In such an instance, although the groups are separated along career lines, there is no sound evidence that either group is marginalised politically or economically.[534]

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of Tatarstan has also made the development of the educational system in Tatarstan a priority as embodied in the Law on Education in Tatarstan." An interview of the Minister of Education of Tatarstan in Graney (1999), p. 616

[529] Yemilianova (1999 and 2000) sees Islam as a tool for legitimising the republican political authorities' power in Tatarstan, a strategy that is similar to the one adopted by B. Yeltsin towards the orthodox Church in the RF. In federal relations, just as with the Academy of Science, the Tatar Islamic Clergy seceded from federal structures and now exists as an independent entity. See Galina M. Yemelianova, "Islam and Nation Building in Tatarstan and Dagestan", *Nationalities Papers* Vol. 27 No. 4 (1999), p. 611 and "Shaimiev's Khanate on the Volga and its Russian Subjects", *Asian Ethnicity,* Vol.1 No.1 March (2000), p. 47.

[530] Mark A. Smith, "Islam in the Russian Federation" in *Conflict Studies Research Centre Russian Series* 06/53 (Defence Academy of the United Kingdom, 2006), p 8 available at <http://cryptome.org/islam-ru.pdf> accessed on 16.10.2007.

[531] Aislu Yunosova, *Islam between the Volga River and the Ural Mountains* (2007) pp. 1-9 as published at <http://www.ca-c.org/dataeng/07.yunosova.shtml> accessed on 16.10.2007.

[532] Galina M. Yemelianova, "Islam and Nation Building in Tatarstan and Dagestan", *Nationalities Papers* Vol. 27, No. 4(1999), pp. 614-615

[533] See Donna Bahry, "Ethnicity and Equality in Post-communist Economic Transition: Evidence from Russia's Republics", *Europe-Asia Studies* Vol. 54, No. 5(2002), p.689

[534] Bahry points out in her study that there was little evidence of 'systematic' attempts to exploit ethnicity amongst the titular nationalities and Russians. Out-migration of Russians, which was prominent in Chechnya and Sakha, was low in

According to Drobizheva,[535] both Russian's and Tatars support the Tatar republic's concept of sovereignty more or less equally. For both groups, the concept of sovereignty is divided into two separate levels, political and socio-economic. The basis for legitimacy of the Tatar republic in the eyes of its population is founded on republican control over economic resources, which in turn allows for more opportunity to better the socio-economic lively hood of the region's inhabitant on the whole. The political concept of sovereignty is rooted in a sense of republican pride; the population support political sovereignty within the RF for it provides the population with a sense of stability and importance in terms of its relations with Tatarstan's neighbours in the region and with Moscow centre itself.

In identifying the success behind Tatarstan's success at balancing out disparate communities and providing more or less equal footing within the institutional structure for various societal interests, Kaplan, Kolossov and Drobizheva come to a consensus that the regional elite although not the font for the social and ethnic dynamic caused by the republic's economic development, were well aware these conditions existed. The regional leadership forged an administrative apparatus to maximise the stability of the republican regime by incorporating Tatarstan's economic, political and social priorities into its institutional structure.

Paradiplomacy:[536] Externalisation of Internal Socio-economic and Political Priorities

Slocum, Sharafutdinova and Magomedov all argue that the appearance of international economic, political and cultural activities on the part of the Republic of Tatarstan outside the federal framework of the RF comprises a novel form of constituent unit behaviour. Tatarstan's economic resources, its ethnic make up and political agenda have allowed the region's authorities to elevate their level of exposure from the domestic and federal confines to the international realm. As was already discussed in prior sections, latent demographic, economic and institutional conditions were major determinants in the strategies adopted for regime consolidation at the domestic level, and simultaneously with the federal authorities. Following the signing of the bilateral agreement between Moscow and Kazan in 1994, there is evidence to support the hypothesis that these latent conditions within the newly forged federal institutional framework between Tatarstan and Moscow allowed for the republican elite's priorities to reach the international stage occasionally outside the grasp and in indifference to the priorities of the Kremlin.

Increased ownership over the region's natural resources and industrial assets[537] has afforded the regional administrators increased latitude in forging links between constituent units of the RF, member states of the CIS,[538] OECD economies[539] and global economic entities such as GM.[540] This

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the Tatar republic. However, those interviewed had experienced an increase in hostile treatment in public and felt that nationality was an issue when attempting to gain employment. See Bahry (2002), p.688.

[535] Leokadia M. Drobezheva, "The Social Base for Sovereignty in Tatarstan and Yakutia" *Conference proceedings from The Future of Russian Federalism: Political and Ethnic Factors* (2000) available at <http://federalmcart.ksu.ru/conference/konfer1/drobizheva.htm> accessed on 16.10.2007.

[536] Paradiplomacy is defined as "efforts by non-central governments to conclude mutually beneficial agreements with political entities beyond the borders of their sovereign state." John W. Slocum, "A Sovereign State within Russia? The External relations of the Republic of Tatarstan", *Global Society,* Vol. 13, No. 1(1999), p. 69

[537] For a list of Tatar companies' activities abroad, see the official government website available at <http://www.tatar.ru/index.php?DNSID=570dbd6dd180c8aef895333d6cab2dd2andnode_id=1254> accessed on 16.10.2007.

[538] According to Slocum the bulk of Tatarstan's exports to CIS countries went to Ukraine, Uzbekistan, and Kazakhstan. See Slocum (1999), p. 60.

multiplying of economic ties has led to an increase of transfer funds from the federal authorities in Moscow, more business opportunities for the republic's three main industrial sectors, oil,[541] automobiles and the military industrial complex as well as forming the basis for the attraction of sorely needed FDI from foreign sources.

Tatar Paradiplomacy also displays a clearly political ilk. After obtaining concessions from the federal authorities, Kazan set about consummating diplomatic ties with disputed regions such as Abkhazia (formerly part of Georgia), Chechnya (up until 1999 *de-facto* independent from the RF), and more stable regions in the RF such as Bashkortostan, Ingushetia, and Dagestan. On the international level, Tatarstan has a diplomatic representative office in Turkey.[542] Regarding culture, the Tatar diaspora may explain several facets of Tatarstan's inter-regional and international agendas. For instance, Tatarstan had established diplomatic ties with the Crimean Tatars in the Ukraine close to the time when the Crimean relations were seeking for autonomy from Kiev.[543]Being a secular state, Tatarstan is still identified as a Muslim republic, albeit as Megomedov terms it a state that espouses the moderate and contemporary form of Islam or "Euroislam".[544] For Sharifutdinova, the Islamic factor is more than just symbolic, but forms an integral and interrelated, culturally based component of the Republic's economic plans vis-à-vis Muslim countries in North Africa and the Middle East.[545]

Conclusions: Putin's Reforms and the Tatarstan Model

Following the resignation of B. Yeltsin as President of the RF in late 1999, his hand picked successor, V. Putin, came to the office with plans to rationalise political and economic decision-making within the federal framework. The most obvious target for Putin's reforms of federal relations with the constituent units was the autonomous republics which signed bi-lateral agreements with the Yeltsin government. The resulting asymmetric federalism in which regions' relations with Moscow were dealt with on a case by case basis was meant to immediately shore up the territorial and political integrity of the Russian state after the collapse of the USSR. The legacy of federal institutional heterogeneity was constituent units, such as Tatarstan, were enabled to hold Moscow hostage to regional economic and political preferences that undermined the viability of central authority and play their preferences off against the priorities of a significantly weakened federal centre. Putin's plan to address the imbalance in federal regional relations put an end to constitutional contradictions between regional and federal constitutional law. Second, Putin removed the regional leaders from their posts in the upper house of the federal legislature, the Federation Council, and finally set up the post of eight presidential representatives to the regions, in

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[539] In 1997, the US, UK and Germany were major investors in Tatarstan. The total amount of FDI was 697.9m USD. See Slocum (1999), p. 61.

[540] The GM YelAz joint venture was signed in 1994 with the contract valued at 500m USD. For its part GM would assemble automobiles for the Russian market in the republic. See Slocum (1999), p. 62. However, in 2000, the assets of the joint venture were frozen by order of a regional court. See "Court Freezes YelAZ-GM Accounts" in *The Moscow Times* 29 September 2000 available at <http://www.themoscowtimes.com/stories/2000/09/29/159-print.html> accessed on 16.10.2007.

[541] Several projects undertaken by the republican oil company 'Tatneft' are in countries such as Saudi Arabia, Syria, Libya, Vietnam and Iran. See Tatneft's website available at <http://www.tatneft.ru/eng/activity.htm> accessed on 16.10.2007.

[542] See Slocum (1999).

[543] Slocum (1999), p. 65

[544] Arbakhan.K. Magomedov, "Regional Ideologies in the Context of International Relations", *Regionalisation of Russian Foreign and Security Policy* Working paper No. 12 (ETH Zurich, 2001) available at <http://e-collection.ethbib.ethz.ch/ecol-pool/incoll/incoll_632.pdf> accessed on 16.10.2007.

[545] G ulnaz Sharafutdinova, "Paradiplomacy in the Russian regions: Tatarstan's Search for Statehood", *Europe-Asia Studies* Vol. 55 No. 4 (2003), p. 618

order to facilitate communication between the regional heads and the Kremlin.[546] For their part federal ministries such as the Ministry of Defence, Interior Ministry, the Press Ministry all undertook policies that sought to rationalise control over resources and regulatory functions that consolidated the management of their activities throughout the country.[547]

The move to standardise relations between the federal centre and the regions did meet with significant opposition in Tatarstan. Due to Tatarstan's special bi-lateral relationship with Moscow, economic, political and social benefits that had been extracted by the regional elite from the federal centre were now at risk of being renegotiated, questioning the veracity of Tatarstan's sovereignty project and thus posing a significant threat to the legitimacy of Shaimiev's domestic political machine. The Tatarstan government's response, in defence of Tatarstan's privileges, was formed around three points: the vagaries of Constitutional Law in the RF, Tatarstan's economy, and the republic's international standing. All three components of the regime's strategy to protect its hard won position in the federal structure had their roots in the original arguments for sovereignty that were put forward during perestroika and that persisted in their relevance during the Yeltsin years.

For the most part a ceasefire has been brokered between the two sides. Constitutional Court decisions as well as Putin's own policies in Moscow[548] have been questioned in Kazan only to the extent in which these decisions infringe directly upon the degree of Tatarstan's sovereignty. Putin and his representatives have seemed happy to let sleeping dogs lie in this case due to the fact that many of the core tenets enshrined in Tatarstan's Declaration of Sovereignty and its Constitution are supported by the bilateral treaty signed between Russian and Tatarstan back in 1994.[549] Economic issues such as the amount of VAT and other taxes that are to be transferred to the centre are a much harder nut to crack for the Kremlin.[550] During the 1990's the Shaimiev administration, following its own brand of economic transition[551] has consolidated control over economic resources in the region to underwrite the regime's political stability by protecting the region's firms and financial flows from predation on the part of federal banks and entrepreneurs.[552] Finally the region's importance in terms of procuring international contacts in Tatarstan's dealings with Muslim states, the international financial sector,[553] and EU and UN bodies[554] bodes not only well for the Tatar

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[546] Katherine E. Graney, "Ten Years of Sovereignty in Tatarstan: The End of the beginning or Beginning of the End?" ,*Problems of Post Communism* Vol. 48, No. 5 (2001), pp. 32-41

[547] See Graney (2001), p. 37

[548] Over forty items in the Tatar Constitution were judged to be in violation of the Constitution of the RF. These include Shaimiev's ability to seek a third term as Tatarstan's President and a presidential candidate running unopposed in republican presidential elections. Putin's territorial reforms such as combining several regions into one unit, and Belarus Russia integration also are seen to infringe upon the republic's sovereignty. See Andrei .S. Makarychev, and Vasilii.N. Valuev, "External Relations of Tatarstan: Neither Inside, nor Outside, but Alongside Russia" , *Regionalisation of Russian Foreign and Security Policy* Working paper 23 (ETH Zurich, 2002), p. 22 available at <http://e-collection.ethbib.ethz.ch/ecol-pool/incoll/incoll_643.pdf> accessed on 16.10.2007.

[549] See Graney (2001), p. 39

[550] Tatarstan has also shown some flexibility in terms of economic contributions to the Kremlin budget, falling into line with the 60 percent contribution all regions make to federal coffers in return for financial investments from the Kremlin. See "External Relations of Tatarstan: Neither Inside, nor Outside, but Alongside Russia" , *Regionalisation of Russian Foreign and Security Policy* Working paper 23 (ETH Zurich, 2002), p. 23 <http://e-collection.ethbib.ethz.ch/ecol-pool/incoll/incoll_643.pdf> accessed on 16.10.2007.

[551] Robert Orttung, "Focus on Tatarstan" in *Russian Regional Report* Vol. 1 No. 5 (1996) available at <http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=en&id=14316> accessed on 16.10.2007.

[552] Gulnaz Sharafutdinova, "Concentrating Capital helps Tatarstani Leaders in Battle with Putin's Centralisation" in *Russian Regional Report* Vol. 6, No. 36 (2001) available at <http://www.isn.ethz.ch/pubs/ph/details.cfm?lng=enandid=14134> accessed on 16.10.2007.

[553] Tatneft, the region's oil company, had its stock floated on the New York Stock Exchange in 2001. See Makarychev and Valuev (2002), p. 41.

[554] Such initiatives on the part of the Shaimiev government include Tatarstan's participation in the Hague process, designed to formulate a response to frozen ethnic conflicts such as Abkhazia and Transdniestria. This experience was also applied by Tatarstan to the conflict in Chechnya. See Magomedov (2001), pp. 31-32.

economy, but serves as a crucial link which the Russian government can exploit in terms of forwarding its own interests at the international level.

Shaimiev's ability to cobble together a coherent strategy and foment elite consensus from divergent interests in the republic has translated into a respected bargaining position regarding federal relations with Moscow centre. Instead of adopting a limited strategy based upon one particular factor, Shaimiev and his supporters chose to incorporate the republic's economic potential, political cadre and particular multi-ethnic culture into an institutional design that was able to diffuse conflict under the extremely difficult circumstances encountered during the collapse of the Soviet Union and the establishment of the RF. Despite Tatarstan's political elite's ability to parley division into consolidation, the legacy of the republic's mono-centric state presents challenges to the RF and the republic itself.

In terms of the domestic consequences, Shaimiev's regime has monopolised the republic's economic and political power in the hands of the political authorities, which has in turn stunted the growth of viable interests outside the scope of the nomenklatura. Second, the economy is dominated by one sector, that of the oil industry. Being resource dependent on one commodity may have buffered both the government and the population from the most severe consequences of Russia's economic reforms, but such a monopolistic dependent strategy may not be able to support diversified socio-economic growth in other sectors over the long term. Finally in the inevitable event that Shaimiev leaves office, the highly personalised system of political and economic power in the republic will be left without its major engineer. In the absence of his personal gravitas and leadership, it is difficult to see how his successor will be able to imprint his own vision and leadership style on Tatarstan without negative institutional and societal consequences.

At the federal level, the continuation of Tatarstan's special relationship within the RF belies the fact that the federal centre is still lacking in authority to deal with core institutional issues such as the integrated control over strategic financial flows, management of natural resources such as oil, as well as the distribution of political power and competencies between the federal centre and the constituent units. In the absence of open and flexible institutions to bear the weight of the ever changing dynamic of economic and political competition among various groups, ethnicity once again may form the context in which societal discrepancies are handled. While providing a stable paradigm for handling political and economic transition in the post Soviet framework, the Tatarstan model may not be institutionally flexible enough to advance the republic's regime past the boss politics that dominate its administrative culture presently.

Findings and Conclusions

This final section will serve to wrap up the dissertation's argumentation. In that pursuit, the first several paragraphs consider aspects surrounding the research's validity from theoretical and empirical perspectives. In the second part, the empirical findings are placed within a historically based analytical narrative; the purpose of which is to provide a foundation for this section's third component, the presentation of the dissertation's final conclusions.

Far from solely attempting to quantify the empirical results, the conclusions are seen as providing departure points for further enquiries into the crucial role that individual actors play in the political decision making process; the relationship among actors' preferences, their strategic choices, and the institutional environment; the role of time in influencing the nature of actors' expectations and the type of expected payoffs garnered from political competition; and furthering the debate concerning theoretical approaches to federal systems of government.

Reflections on Validity

According to King, Keohane and Verba (1994), the major focus for social science research centres upon the gleaning of descriptive or causal inference through the appropriate application of theoretical constructs to the empirical data.[555] Understanding just how accurate the inference obtained from the application of an adopted paradigm to a specific data set relies heavily upon the degree of validity associated with the proffered research design and the suitability of the chosen methodology. As discussed in the introduction, the inference that may be obtained from case studies can be ascertained through several reliable validity tests.

- **Construct Validity**

From the very outset, the accuracy of the empirical case studies have relied heavily upon the collection of quality empirical data to construct a viable analysis of the four factors in each case. Due to the particular historical context in which the events and processes occurred, evaluating the validity of the data could have been a major concern in regards to the overall legitimacy of the dissertations conclusions. In order to lessen the possibility of the appearance of "white noise" in the final analysis of the cases, multiple sources of information such as prior academic research, public sector analyses, as well as personal interviews on the part of decision makers have been utilised when possible.

Based upon the data collected, an evidence chain has been assembled for each of the case studies which, admittedly faint in some parts of the narration, do provide a clear direction and description as to why certain phenomena occurred within the context and period in question. Undoubtedly, the study could have benefitted further from expert interviews with those actors who were directly involved with the events as they occurred within the three cases. Their commentary as to the degree to which each of the indentified factors played a role in the strategic thinking would have added a greater degree of insight and reduced the level of speculation concerning the motives behind, the interest which contributed to and the timing of regional and federal elite's strategic calculus.

- **Internal Validity**

[555] King, G., R O Keohane & S. Verba (1994): *Designing Social Enquiry* (Princeton: Princeton University Press)

Despite the lack of expert interviews to confirm the accuracy of the thesis' conclusions, several patterns as they related to elite agency, interest formation, strategic expectations and their influence on the resulting institutional structure of the Russian federal system have been exposed. Based upon these similar trends, forms of descriptive causality will be highlighted and discussed in the analysis below. The power of these descriptive inferences will be enhanced when placed within the extended historical context beginning at the end of the perestroika period and lasting until the end of the 20th century.

- **External Validity**

The final test of the dissertation's validity will centre upon the comparison of the three cases within the federal context. Although the factors present in each case may have differed significantly, it is the overall strategic agency of the regional elites under conditions of institutional uncertainty at the federal centre that the dissertation's hypothesis has aimed to clarify. In this sense, handling each region as a unique unit within the federal system would have robbed the thesis of important arguments for its adopted research design, its analytical treatment of the data, and its claim to provide descriptive inference for elite agency observed in the Russian federal context.

Cases in the Federal Context

What occurred following the collapse of the Soviet Union and the establishment of the Russian Federation does indeed correspond to Gel'man's concept of institutional uncertainty. The dissolution of the Soviet federal centre as a gatekeeper in terms of setting the parameters of renegotiation of the levels of federal institutions has been clearly demonstrated. Moscow's subsequent inability under Yeltsin to regain control over the agenda-setting process allowed for regional elites on a case-by-case basis to reconstitute their own domestic power bases while simultaneously renegotiating their status within the undetermined federal framework. In Table 1 the period of institutional uncertainty is illustrated. We can see the results of consensus building undertaken by the regional leadership according to the observed levels of independent factors within the framework of the paradigm of this thesis.

Cases	Characterisation of Observed Independent Factors
Karelia	• **Political power:** Integrated republican elite; creation of a multi-party system, but no evidence of significant political opposition within the elite itself**.** Gradual transition from CPSU dominated structures & decentralisation of decision-making authority along local lines (Stepanov). Recentralisation of authority to republican level elite under Katanandov. • **Economic flows:** Poor, isolated region dependent on one-dimensional resource export economy (forestry); under-institutionalised financial flows dominated by external interests, republican resources remain illiquid. Recipient of substantial amounts of federal economic aid. • **Nationalism / Ethnicity:** Predominantly Russian region.

	Despite formal republican status and historical context variable evidence of significant nationalist / ethnically based movements in society or the political sphere. • **Legal / Institutional dissonance:** Sovereignty from USSR formally declared in 1990; Soviet era institutions dissolved & replaced by republican structures; Republican constitution signed; elections held both at the republican and federal levels; competency over & status of republican forest resources under-determined; variation in taxation, foreign exchange & federal aid mechanisms.
Tatarstan	• **Political power:** Three rival elite groups exist: regional nomenklatura, nationalists and perestroika democrats. President Shaimiev is able to consolidate power and marginalise competition through political manoeuvring and cooption of both the nationalist & democratic opposition's platforms. • **Economic flows:** Highly industrialised & diversified economy tied into federal monopolies. Pre-perestroika regional MIC & TEK controlled by Moscow; regional control over economic flows were significantly increased with the signing of the bi-lateral agreement in 1994. • **Nationalism / Ethnicity:** Demographic difference was clearly visible among the republic's Tatar and Russian populations regarding socio-economic status and cultural demands. The opposition nationalist movement rallied around socio-economic & cultural issues domestically while supporting full independence from the federal centre. • **Legal / Institutional dissonance:** Rejection of early federal level plebiscites for the presidency and the Russian Constitution. Parallel institutions, the republican presidency, the Constitution, the Declaration of Sovereignty, & the 1994 bi-lateral agreement all served to distance Tatarstan from Moscow's institutional influence along budgetary, financial, cultural-linguistic, diplomatic and citizenship lines.
Chechnya	• **Political power:** Disintegration of the republican elite structure begins with the ousting of the former Soviet leadership. Further fracturing of the elite occurs along tribal / family group lines as the economy worsens & tensions with the federal centre deepen. Presidential administration becomes prisoner to an open-ended bargaining game with fractional groups outside the institutional domestic hierarchy.

	• **Economic flows:** Poor, isolated region dependent on one-dimensional resource export economy (oil); under-institutionalised financial flows dominated by external interests, republican resources remain illiquid. Recipient of substantial amounts of federal economic aid and ownership / export concessions. • **Nationalism / Ethnicity:** Demographic difference was clearly visible among the republic's Chechen and Russian populations regarding socio-economic status and cultural demands. The nationalist movement fully integrated with the regional elite rallied around socio-economic & cultural issues domestically while supporting full independence from the federal centre. • **Legal / Institutional dissonance:** Rejection of early federal level plebiscites for the presidency and the Russian Constitution. Parallel institutions, the republican presidency, the constitution, the declaration of independence, & economic value chains all served to reinforce Chechnya's centrifugal movement away from Moscow's institutional influence.

Table VII: Characterisation of the Contributing Factors on a Case by Case Basis

Karelia

Overall, the political and economic costs for dealing with the leadership in Petrozavodsk did not pose a great threat to the corresponding interests of the federal authorities in Moscow. From the pre-1991 period through 1995, Karelia experienced an increase in its decision-making authority vis-à-vis the federal centre by default. This "authority bounce" was due to the relative decline in the centre's ability to organise its interests within the federal framework and not due to home-spun initiatives of the Karelian elite. The data collected also show that, even when Petrozavodsk did obtain a modicum of political manoeuvrability, under Stepanov, that new-found authority was turned inwards on devolving power away from the republican centre, not brought to bear on relations with the centre. Under Katanandov, that pattern continued. Only under the new governor, has authority been invested into maintaining his personal power base in the republic and reducing the power of the republic's legislative bodies in favour of executive power.

Economic concessions in the export of the region's resources as well as tax breaks from Moscow would also seem to fit into the low-cost pattern. Karelia's economy suffers from a lack of comparative advantage in terms of its resource base and goods produced both within the RF and in comparison with its neighbours in the EU. The demand for Karelia's timber is therefore low. When necessary, its logs are used to fill gaps in the market when other sources cannot be allocated. Trade with the EU is mostly limited to quick transactions in the resource export sector, which probably does not pose a real threat to Moscow's economic and political priorities. Allowing for the regional leadership to be stewards over the economic fate in this context relieves Moscow of the burden of dealing with a peripheral region's budgetary decision-making responsibility. From the republican perspective, increased economic growth would necessitate the inclusion of a higher number of actors in both an economic and an institutional context. Opening up the rules of the game to include agents that possess interests that are counter to those of the republic leadership or would force

concessions in terms of degrees of republican economic and political power would pose a direct threat to the heart of Katanandov's domestic power base.

The issue of nationalism or ethnic identity did not manifest itself as virulently in Karelia as in other cases. The demographic numbers for the republic demonstrate that even if the national front had been able to maintain itself as a viable opposition movement based on the nationality issue, its constituency would have been quite small. Therefore the front's social as well as political relevance would have been correspondingly limited. The external pressure that may have materialised regarding the territoriality of the Karelian issue has never been breached by the Finns publicly. Any societal pressure that may exist to call for Karelian reunification with Finland only manifests itself in small circles in Finland with little bearing on the political, economic or social life across the border in the republic.

From the legal standpoint, Karelia pursued a strategy to formalise the republican regime within the framework of federal initiatives. Concerning Level I institutions, the republic formulated its own Constitution in 1994, amended to fall in line with the new federal framework initiated under Putin in 2001. Level II and Level III organs were also proximate to federal initiatives, for instance, the referendum on the Federation Treaty was allowed to go ahead in the republic. Interestingly enough, Karelia did not sign a bi-lateral agreement with Moscow, unlike Tatarstan. Again, it can be maintained that, given the low cost of the political and economic advantages afforded to Karelia, both sides hardly saw any need for such a document. It is also worth mentioning the continued squabbling over the forestry code.

Although not as important as the core institutions set out in the republican Constitution, the code is meant to provide the guidelines for decision-making responsibilities and competencies when it comes to exploiting the region's resources as well as allocating the distribution of economic benefits from the enterprise. Starting with the former governor Stepanov, the republic has argued for a formalised a code in the upper house of the Duma. This code to this day has not been signed. The clear delineation of ownership as well as the distribution of accrued benefits would seem to be in the long-term interest of both parties. However, providing a formalised agreement may also bind actors to long-term plans that fall outside their short-term goals. Resources that remain illiquid, under tight control of the regional elite, may form some sort of insurance policy against federal or regional competitors. The forest's value may be virtual in economic terms, but real in political terms. Thus, keeping the legal status of natural resources vague allows for the federal and regional authorities to gate-keep and to tweak their political and economic value to suit their interests when necessary.

Tatarstan

One of the major motivations for including Tatarstan in this case study group was to see if it would be possible to ascertain why Tatarstan managed to avoid defection by the federal centre when Chechnya did not despite similar conditions observed in each case. For that answer it is necessary to look back at the results of the Karelian case for some important insight. Despite occupying the economic periphery of the Soviet federal framework, Karelia's leadership succeeded in maintaining peace and stability in the region. The elite was even able to negotiate a higher level of economic and budgetary autonomy from the federal centre without resorting to nationalist rhetoric or openly cynical political tactics. The communist party's political base remained intact after the coup of 1991 and it may be the maintenance of the nomenklatura's political and economic decision-making gate-keeping and tight organisation networks that allowed for a cohesive, reasonable bargaining strategy to be worked out vis-à-vis Moscow. Therefore unlike Chechnya and mirroring Karelia, the Tatar

leadership was able to preserve the region's Soviet-era bureaucratic elite after the attempted coup in 1991. By remaining in positions of decision-making authority, the Tatar nomenklatura was able to preserve the cohesion of the political and economic cadre, reinforce existing mechanisms for cadre recruitment, ensure consensus among the leadership and bureaucratic ranks, maintain their influence over events in the region and formulate a coherent strategy towards Moscow's federal interests.

However, unlike the Karelian authorities, the Tatarstani elite chose to maximise their advantage in the process of renegotiations concerning the institutional structure of the Russian Federation. In order to formulate the macro-strategy, Shaimiev set about securing ownership of the republic's means of production, including the region's strategic industries: hydrocarbons and the automobile industry. He also sought to increase the advantage offered by tax exemptions from the federal budget for Tatarstan. By wresting control away from Moscow on these key economic sectors, Shaimiev was able to secure funds to underwrite the republican elite's political project. The political and economic aspects of Shaimiev's republican strategy did not occur in a vacuum. Instead, the Tatar authorities were all too aware of the region's demographics. In fact, the nomenklatura directly benefited from the Russian and Tatar socio-economic differentiation in the republic by recruiting loyal, mainly Tatar youth from the countryside who had been left behind by the Soviet urbanisation process. Comprehending the importance of the nationality issue was therefore a key to the overall success of the Tatarstan strategy in relations with Moscow. The nomenklatura was able to manipulate the nationalist and democratic opposition in domestic political competition. Later on the authorities would incorporate policies that originated with the opposition movements and ultimately deprive the democrats and nationalists of their domestic political constituencies and social relevance.

Throughout the period of federal uncertainty, the nomenklatura was able to translate its overall strategy into Level I institutions of the Tatar state. The three key documents that formed the pillars of Tatar exceptionalism within the Russian federal framework – the Constitution, the Declaration of Sovereignty, and the Bi-lateral Agreement with the federal authorities – enshrined regional economic, political and cultural autonomy within the federal-level institutional structures. Coordinated with republican level elections and the rejection of key federal referendums on the territory of the republic, these formal arrangements not only were employed to legitimise Shaimiev's republican power base within the borders of Tatarstan, but they also played a major tactical role in determining Tatarstan's role within the renegotiated federal framework of the Russian Federation.

The case study evidence demonstrates clearly that the leadership of the Tatar republic played a crucial role in the republic's success at extracting concessions from the federal centre at a time of extreme institutional flux. However, the Shaimiev administration made several miscalculations which led the domestic opposition to pose a serious threat to their core interests in the republic. Shaimiev definitely underestimated the response of the nationalists and democrats following the Moscow coup in August 1991. By siding with the Soviet bureaucracy against Gorbachev, Shaimiev possibly displayed his core focus of loyalty: the Soviet economic-political-bureaucratic elite. However, Shaimiev was able to renegotiate and adjust his position according to changing conditions both within the republic and in the federation as well. His awareness of social, political and economic trends, their interdependence and mutability allowed the Tatar president to compromise with the domestic opposition when necessary, stand firm with Moscow on issues of particular importance to his regional constituency, and maintain allegiance to his overall strategy: maximisation of personal power and control of the region's economic wealth.

That having been said, Shaimiev was never going to opt for full independence like Chechnya because he and the nomenklatura most probably realised the economic, political and social limitations of the Tatar Republic within the Russian Federation. Opting in or opting out allowed the Tatar elite to be flexible under changing conditions both in the republic and in Moscow. This gave the Tatar nomenklatura the ability to take full advantage of the mechanisms at their disposal to fine-tune their strategy to maximise benefits over time. Moscow, despite realising the high risk associated with Shaimiev's strategy, realised that negotiation with the Tatars would produce a lower cost result in terms of economic and political concessions than defecting from the negotiation game as they had done in Chechnya. Moscow and Kazan spoke the same language. They shared similar political backgrounds and possessed intimate knowledge of how the political and economic apparatus of the state functioned, even under conditions of uncertainty. Cooler heads prevailed in the Tatar case because the federal centre and the republic understood the limits of the benefits that could be derived from the negotiation process.

Chechnya

Within both the Soviet and Russian federal frameworks, Chechnya has been a peripheral territory, persistently ranked among the poorest economically and least socially developed regions despite the presence of the hydrocarbon industry in Grozny. In political terms, the republic has been overseen by Moscow directly. Not until the late 1980s did an ethnic Chechen lead the region's communist nomenklatura. It is doubtful whether the tragic events of 1994 and 2000 would have been visited upon Chechnya if the Soviet federal centre had not collapsed in 1991. However, collapse the federal centre did; and the federal power vacuum had catastrophic consequences for the republic of Chechnya. In the institutional space created by the demise of the Soviet federal arrangement, the Chechen nationalist movement attempted to forge Chechen intellectuals into an effective, cohesive political and economic ruling elite under extreme institutional circumstances. The power vacuum that was vacated by the communist nomenklatura left the new national elite with very few tools to formulate substantial economic and social strategies to deal with indigenous challenges and underwrite the new regime's legitimacy in the eyes of Yeltsin's new government.

If Karelia was able to benefit marginally from the increase in decision-making authority at the expense of Moscow, under the same conditions Chechnya experienced a catastrophic institutional failure as well as a debilitating leadership crisis. Under conditions of institutional instability, indigenous elite consensus was forged on a least common denominator: primordially defined, historically legitimised Chechen ethic exceptionalism. Without substantive economic strategy and solid political institutions to underwrite the nation-building project, the Chechen elite turned on itself, subjecting Chechen society to internecine fighting amongst warring elite factions and limited civil war. Simultaneously, the events that were unfolding in Chechnya were being monitored closely by the Kremlin. The inability of the Chechen administration to forge a ruling coalition outside the context of nationalist rhetoric forced the Chechen elite to adopt the most extreme position in regard to Moscow's attempts to renegotiate the federal institutional arrangement. Fate intervened most cruelly when the August coup occurred just at the time that the Chechen Soviet leadership was in Moscow to sign a bi-lateral agreement with Moscow in 1991. From that point onward, the new nationalist republican administration did not hold elections for the presidency of the RF, nor did it support the plebiscite for the Federation Treaty. Chechnya fell outside the institutional arrangement proffered by Moscow. Domestically, for the Chechen elite, the costs were prohibitive in terms of their core interests to support fully Moscow's plan to include Chechnya in the new Russian Federation. By acquiescing to Moscow's plans and joining a Russian state, the nationalist elite and nation-building project would have lost all credibility with their main constituency, the Chechen public. Without an alternative bargaining strategy, the Chechen elite

were limited to pursuing a suboptimal maximisation strategy, full independence from Russia. That agenda, whether rhetorical or real, directly threatened Moscow's main economic and political interests: the preservation of the territoriality of the Russian Federation. The Kremlin chose to defect from the renegotiation process when it was able to muster support and forces amongst the new ruling elite in Moscow, in both 1995 and 2000.

The evident weaknesses of the nationalist strategy were on full display during Maskhadov's time in power. Despite his ability to garner the majority of the republican vote for election as president after the signing of the 1997 Peace Accords with Moscow, the president's new-found formal legitimacy did not lend itself to strengthening the republic's political institutions or the creation of a viable economic solution to Chechnya's intensified social underdevelopment. The Chechen elite fractured further into smaller, more radicalised camps each claiming political legitimacy based on clan loyalties, religious affiliations, or brute military force. Maskhadov, who, it can be argued, had the interests of Chechnya in mind when he acceded to the presidency, could not gather the support of the Chechen elite or Moscow in his attempts to re-engage the nation and state building process in Chechnya. While his legitimacy and political power seeped away, both the radical Chechen elites and Moscow bided their time and waited for the moderate regime of Maskhadov to collapse, which it did in 2000. The collapse of the Maskhadov government prompted the second defection of the federal elite from the institutional renegotiating game and spelled the end of the both the radical and moderate branches of the republican nationalist independence movement.

Theoretical Findings

Case	Mobilisation & consolidation of Regional Elite	Resulting Economic Payoffs	Resulting Political Payoffs	Ultimate Outcome
Karelia	Two consolidated paradigms emerge: decentralisation (Stepanov) & centralisation (Katanandov)	Export & taxation concessions for region's natural resources	No evidence of a tangible increase in political rent	Marginal economic & limited political payoffs from Federal Centre
Tatarstan	Highly centralised and consolidated elite core formed by Shaimiev	Regional ownership of economic assets; tax exemptions on regional contributions to federal budget	Marginal increase in political rent through regional institutions	Substantial economic & marginal political payoffs from Federal Centre
Chechnya	Highly fractured political elite; war against all	Full Federal control over economic resource flows	Full Federal control over regional institutional	Loss of substantial economic and political payoffs from the Federal Centre

		from regional resources and industry	structures	

Table VIII: Factors Identified within the Case Studies

One of the major theoretical questions that arise in the analysis of the various aspects of the post-soviet federal system centres upon the mere presence of federal institutions as the major explanatory factor regarding systemic asymmetry among formally similar regions. As discussed in the literature review, research into Russian federalism has adopted many points forwarded by the transition discourse, namely that transition is a process which produces a dichotomous outcome (authoritarianism / democracy); and that the viability of these outcomes are substantiated by the formal, yet superficial division of competencies among federal and regional institutions; and finally it is these divisions of labour which determine the sub-optimal, asymmetric nature of the Russian federal system.

As an alternative to the formal division of powers approach, this thesis has argued that institutions are products of inter-elite competition over political power and economic wealth among various levels of the federal hierarchy. It is this maximisation game, rooted in the elite's own perceptions of the policy environment, which influences the institutional structure and thus the degree of observed autonomy among the federal centre and the constituent units.

Therefore, instead of providing a simple breakdown of decision-making competencies among the cases and the federal centre as evidence of one macro regime typology or another, this thesis has presented a paradigm for modelling federal autonomy by linking the regional elite's desire to maximise their core political and economic interests (at the expense of federal authority) with various regime outcomes available in the Russian federal context at that time (increased regional autonomy / increased federal authority / full independence).

Descriptive explanations for this relationship are provided by examining regional elites' perceptions concerning the maximisation of political, economic, ethnic and legal pay-offs derived from competition with the federal centre over one regime outcome versus another. Subsequently, the thesis then hypothesised that the degree of pay-off maximisation (observed regional autonomy from the federal centre) was directly and positively linked to the regional elite's ability to consolidate its hold over regional political, economic, ethnic and institutional powerbases. The results of the empirical research are presented below in Table IX.

Cases	Regional Elite (Who?)	Adopted Regional Strategy (How?)	Expected Pay-offs (Why?)	Resulting Degree of Autonomy
Karelia	Consolidated elite consisted of former communist party leadership (nomenklatura) under Stepanov; & were subsequently replaced by a new generation of "neo-liberal" technocratic	Regional political decentralisation & economic privatisation vs. re-establishment of regional political & economic power vertical.	Increase the degree to which regions are able to maximise their political decision-making, control over economic-revenue flows, identity policy and legal autonomy under	Marginal economic autonomy achieved through federal export & taxation concessions; limited political autonomy

	elite under Katanandov.		conditions of institutional uncertainty at the federal centre.	despite advent of parallel regional institutions.
Tatarstan	Consolidated elite composed of communist party bureaucrats & based on their former administrative networks.	Political machine which chose to out-manoeuvre & co-opt the political, economic, institutional and ethnic based strategies and positions of the Tatar nationalists & perestroika democrats.		Significantly increased autonomy across all independent factors; regional ownership of key resources & enterprises; increased political & cultural autonomy evidenced by regional institutions and legislation contradicting or mirroring federal structures.
Chechnya	Fractious coalition among nationalistic intellectuals, perestroika democrats & the remnants of regional soviet-era administration.	Ethnically based economic & political nationalism		Total submission to federal institutional authority.

Table IX: Findings within the Context of the Generalised Model

Based on the information collected in the table above, there are four interrelated points that are crucial to defining the success of the thesis' analysis concerning the nature of and the drivers behind region / federal bargaining in post-Soviet Russia: leadership matters, the limits of path dependency, the predetermination of strategic bargaining outcomes, and the nature of federalism.

- **Leadership matters**

The initial impression garnered from the results of the empirical research highlights political actors as key factors in explaining observed variations in federal regional / federal autonomy during times

of institutional uncertainty. Without reliable information or institutions to guide their actions according to a universally accepted set of regulations, actors' time horizons shrink and their strategic agency focuses on the bare essentials: political survival. Longer-term issues such as social economic development, the effective distribution of economic costs and benefits, along with the continuity of the country on the whole are put to the back burner due to the increased importance placed on maintaining the day to day running of the mechanisms of government; an act in itself which becomes more closely tied to the overall legitimacy of the ruling elite.

In this study, actors reacted to institutional uncertainty at the federal centre differently. With the lack of a viable opposition, either politically (within the regional elite itself) or publically (nationalist / democratic) based, the governors of Karelia, first Stepanov and then Katanandov disregarded for the most part the political goings-on in Moscow and turned inwards to deal with issues of their own political legitimacy within Karelia. Once the republican constitution was signed, the strategic focus centred in on redefining the organisation of decision-making within the republican institutional structures. Early on, Stepanov mirrored the Yeltsin administration's strategic tack by shoring up his power-base with the remnants of the regional soviet administrative elite structures through political de-centralisation and economic privatisation. Following his ouster of Stepanov in 1998, Katanandov changed direction and succeeded in undoing Stepanov's decentralisation and privatisation programmes through re-centralisation of political power and economic control under the watchful eyes of the administration in Petrozavodsk.

As for Shaimiev in Tatarstan, he was able to participate in both the federal level game as well as compete with regional opponents simultaneously, playing both-off against one another in order to fulfil his political agenda for the region. Gradually, Shaimiev was able to draw institutional lines in the sand through the Declaration of Sovereignty in 1990, the regional constitution in 1992 and the 1994 bi-lateral agreement which effectively served to define his vision for Tatarstan's new political and economic role in the post-soviet federal system. Meanwhile, he stocked administrative offices with a loyal cadre, co-opted the Tatar nationalist sovereignty discourse and effectively copied the democrats' blueprint for a post-soviet proceduralist - democratic institutional system of government based on a multi-party system of elections and the rule of constitutional law.

Shaimiev's understanding of the circumstances under which he operated were on full display in 1991. By abandoning the full-independence discourse early on, Shaimiev risked his domestic political authority by incurring the wrath of the regional nationalists. Nevertheless, he was able to outflank the nationalist opposition by putting his political fate in the hands of the Tatarstani electorate during the republican presidential elections. Once Shaimiev secured his political authority institutionally within the republic, the newly elected president was insulated against further risks thrown up by institutional uncertainty at the federal centre, including the revanchist coup against Gorbachev in August. In one masterstroke he consolidated his regional power base and bought room to manoeuvre strategically against the federal centre and the regional opposition.

The same cannot be said about the strategic acumen of the Chechen leadership. As a populist lacking the links to the soviet era decision-making networks in Chechnya, Dudayev's nationalist-economic platform began to crumble as soon as cracks appeared in the Chechen intellectual elite that had assumed administrative control over the Republic in 1991. In retrospect, while Dudayev lacked significant political experience himself, the absence of a stable set of advisors that could plug into the vestiges of the soviet era decision-making apparatus fated his populist regime to a very short and inglorious existence. The regime could not create a reliable bureaucratic cadre to implement concrete policies or possibly hope to develop solutions to the region's economic and political woes.

Not unlike the open-ended game between the soviet government in Moscow and the Baltic republics, the costs for maintaining support over an increasing amount of rival elite groupings forced Dudayev to promise more in terms of insider political and economic deals with his erstwhile regional and to an extent federal rivals. Revenues from the export of oil and economic aid from Moscow disappeared across the region's borders. School and hospitals closed. In a last ditch effort to save his political skin, it seems that Dudayev sought to demonise the federal centre, which ironically was in the best position to legitimise his rule in the face of growing regional unrest. Dudayev's inability to interpret the regional institutional circumstances accurately within the federal context cost him his life and possibly doomed his successor to the same fate. In an ironic twist, his lack of vision also cost the Chechens years of economic and social depravation associated with the legacy of two bitter wars with federal troops.

- **Actor agency vs. path dependency**

The model's explanatory power does not exclusively rely upon actors' awareness of their core interests. As discussed above, regional elites constructed their bargaining strategies based upon perceptions of pay-offs their regime preferences could garner in the contemporary policy environment. This is not to say that the independent factors presented in the model are passive in terms of their role in determining elite preference formation or strategic choice. Similar to the discussion concerning the interaction among actors and institutions in a federal arrangement, the relationship among actor agency and the political, economic, ethnic and institutional factors included in the model is symbiotic. Actors feed off of signals that they receive from the policy environment just as well as the environment is influenced by strategic choice and actor agency. Substantial evidence for various types of actor / structure symbiosis can be found in all three cases. The presence of such symbiosis may go a long way in explaining why the empirical results appear as they do in the final analysis.

In the Karelian case, the four independent factors were not fully maximised by the regional elite. It can be argued that while institutionally the Republic gained parallel structures (such as the republican presidency, the regional parliament and the republican presidency) which could have formed a source of tension with the federal centre, there is no evidence that these institutions themselves brought about concessions from Moscow. As demonstrated, the formal ethnic status of Karelia did not translate into an instrument by which the elite sought political or economic advantage against domestic competition or the federal elite either. This is most likely due to the predominance of the Russian demographic as well as the organisational ineffectiveness of the nationalist position in the republic. However, the political factor's influence on internal matters was significant in the way it was employed. Stepanov sought to legitimise his own powerbase internally by distributing decision-making away from Republican level organs to the localities. Katanandov took the opposite approach, and recentralised political decision-making under the auspices of Petrozavodsk. Both leaders refused to be engaged in a drawn out struggle with the federal centre despite the weakness of the federal elite.

Why? The answer may lie with the republic's economic status. As a poor, underdeveloped commodity export region, Karelia's elite lacked the financial and industrial resources to attempt a risky negotiation game with the Yeltsin administration. The export and taxation concessions garnered by Karelia under Stepanov were more than likely a low cost strategy on the part of the federal centre to relieve Moscow of the responsibility for dealing with low yield budgetary and trade issues in Karelia. For the Karelian elite, the gains in economic terms embodied a marginal

pay-off, low risk choice which allowed the elite to maintain the political and possible preserve the economic status-quo domestically. Given the limited circumstances for extending autonomy across all the independent factors, the Karelian elite took what they could get from structural environment and busied themselves with preserving their domestic power bases.

Unlike the Karelian case, Tatarstan had quite an advanced economy based upon not only natural resources such as oil, but the region also possessed heavy and light industries that added to Tatarstan's importance to the federal economy. Additionally, the nationalist / ethnic debate in Tatarstan was a significant factor among the competing elite as well as active in the public sphere. Unsurprisingly, both the economy and Tatar identity significantly contributed to the institutional structure of the republic as well as serving to influence the political strategies employed by the regional elite against each other as well as the federal centre.

From the outset, it seems that the Tatar elite had much more to work with in terms of the structural aspects then their Karelian counterparts. As in Petrozavodsk, the administrative structures throughout Tatarstan had remained intact providing a bureaucratic network through which policies could be implemented by Kazan. Strategic choices for the Tatar elite in terms of maximising control over financial flows, economic policy, determining the nationalist discourse as well as manufacturing the institutional nature of the republic post-Gorbachev were aided by the mature nature of the structures themselves. In Karelia, the degree to which economic flows could be controlled was subject to question due to the underdeveloped nature of the economy itself; whereas in Tatarstan, the automobile factories, infrastructure and oil industry had been firmly established since the end of the Second World War. If there was an advantage to had from a clearly defined structural environment, it was that the Tatar elite new the value of the political, economic, social and institutional assets over which they were competing. Subsequently when it came time to bargain with the federal authorities, they already had a plan of action which was much more tangible and realistic in terms of its autonomy demands.

One question remains concerning the extent to which the Tatar elite under Shaimiev were willing to push Moscow for concessions. One could argue that if the Tatars knew their value to the federation and could roughly calculate how much they would gain in terms of regime pay-offs from Moscow, why did they abandon the independence strategy so early on? Sensing the opportunity, Shaimiev could have called for independence already at the time of the anti-Gorbachev coup in late summer 1991, immediately maximised autonomy and defected from the negotiation game with Moscow. Instead, he opted to support the coup and risk losing points with the regional based nationalists and perestroika democrats, possibly in the hope of avoiding outright conflict with the federal centre yet extracting significant concessions for the republic in the near future without such dire consequences. A hint to the reasoning behind this choice may come from Shaimiev's relationship with the federal level elite and his understanding of the inner workings of the soviet bureaucracy. After being exposed to the upper echelons of the soviet bureaucratic system for years, Shaimiev must have had a very good grasp on just how the old regime operated with the regions along with what aspects of those relations were negotiable. If the assessment is accurate, then Shaimiev's knowledge would have played a significant factor in the formation of his wait and negotiate strategy with the centre.

If Karelia and Tatarstan managed to preserve a majority of the administrative networks needed to implement policy for those regions, the newly anointed Chechen leadership did not possess such a luxury for very long following the collapse of the soviet regime in 1991. Already before Gorbachev's ouster from power, there was turmoil among the soviet era Chechen administrative elite with the soviet president replacing the region's long established leadership with new blood

from Chechnya itself. The new Gorbachev sponsored Zavgayev administration which cleaned house of the remaining soviet bureaucrats, did not last long either. Following the coup in 1991, Zavgayev's government fell to Dudayev's supporters without Moscow lifting a finger. The turn-over in administrative elites more than likely left the bureaucratic power structures without a unified cadre or a consensus-based vision for the region's future development. While many professional public servants were part of the Dudayev' first years in power, gradually these professional public administrators left the public sector ranks as the system became increasingly dominated by appointments based on patronage and cronyism.

The Chechen economy itself was peripheral in terms of overall importance to the federal centre. Despite the presence of natural resources, which by that time were in severe decline, Chechnya's hydrocarbon production was significant within a regional context only. As the conflict with Moscow intensified and military conflict eventually broke out, Chechnya's oil was a negative factor which contributed to the further fracturing of and intensifying infighting among the region's elite groups. Dudayev used the oil proceeds not to improve living standards for the local populace, but instead distributed the rent to rival elite groups to maintain their loyalty. The economic factor was also neutralised by federal monopolies which began to continue their transit business without the Chechens involved. In fact the lack of budgetary revenues from the hydrocarbon industry probably left Maskhadov with few political or economic resources to legitimise himself as president outside the electoral process or the financial aid passed to the region by Moscow during the inter-war period.

With a splintered elite, crumbling institutional structures, a broken down economy and no tangible solution to the challenges at hand, the more reliant both Dudayev and for his part, Maskhadov relied on the anti-federal populist rhetoric. The more the national independence theme was employed, the more it seemed as if the Chechen elite were running out of strategic options to hold themselves together in the face of a worsening domestic crisis and simultaneously extract the maximum concession from the federal centre. At some point in time, independence for Chechnya was the final option to preserve the legitimacy of the republican regime. In fact it can be argued that the nationalist strategy did produce significant political and economic pay–offs for the regional elites following the signing of the peace agreement in 1996. However, taken in the longer term historical context, the pay-offs have been now passed on to a new elite sympathetic to Moscow, while the nationalist regime's leaders are now dead and buried.

- **Expected pay-offs change over time**

The grim conclusion to the previous section brings the case analysis to its third general point: neither structural conditions nor the extent to which pay-offs may be maximised remain stagnant. Actors and structures (here composed of the four independent factors) interact in a complex, symbiotic manner. As much as actor's influence the institutional framework of the Russian federal system, the Russian federal system delineates the bounds of actor agency.

Institutional uncertainty not only caused massive resonance among the federal political, economic, ethnic and institutional structures, it afforded regional actors more leeway in terms of strategic choice at the regional level along with increasing their ability to extract pay-offs from the weakened federal centre. The evidence from the case studies has indicated regional structures and actors themselves were not homogenous types. Each region demonstrated variance not only in the observed structures, but differences in the cognitive ability of the ruling elite, as well.

Within this chaotic atmosphere where time horizons for decision-making were short, formerly strong institutional rules of the game were suddenly under negotiation or ceased to exist at all, and regional actors previously reined in by centralised institutions had free reign to determine their course of action, it is counter intuitive to think that topographical delineations of territory or hierarchical institutional divisions are an accurate representation of the limits of the independent factors' influence or actors' strategic relevance. The strategic choices made by regional elites would at some point in time have resonance at the federal level, especially taking into account the structure of the economic factor, in which regional resources and production assets were part of a larger economic value chain connecting the regions to federal level interests. Such spill-over affects became more relevant as the central authorities began to stabilise relations with the regions through the bi-lateral agreement process. The more institutionalised the regional / federal game became in terms of pay-offs granted to the regional elite, the more likely that regime type outcomes and degree of pay-offs would be limited due to the strengthening of the federal institutional position.

What the federal centre "lost" in terms of socio-economic and political agenda setting at the regional level, it gained in terms of institutional stability at the federal level by limiting the amount of pay-offs granted to the regions through bi-lateral negotiation on a case by case basis. In terms of the model, the independence outcome may have been most relevant while the federal centre was at its weakest, circa 1991. However, as time passed and institutional relations within the regions and simultaneously with the federal centre were re-established, such full maximisation strategies came with much higher costs. Therefore, as time passed and structures changed, regional elites understood for the most part that the limit to the bargaining game with the centre would be a marginal to significant shift in agenda setting and administrative control.

- **Federal centre as N in an N+1 game**

There were two inter-related theoretical paradigms that this thesis sought to explore: the transition paradigm and the nature of federal systems of government. The transition paradigm, by proffering a dichotomous regime-outcome format, attempted to frame Russia's transition to democracy through competition between reformers and conservatives. The contest between the two groups would determine regime type: democracy or authoritarianism. The inability of the transition paradigm to add substantive explanatory power to the frustrating, bifurcating nature of Russia's transition puzzled transitologists. The failure of the transition paradigm prompted pundits to decry Russia's exceptionalism and has led many to the conclusion that Russia is the ultimate outlier in terms of transition to democracy. To put it bluntly, the paradigm was not the problem, the case was.

This position amounts to scientific escapism. By rendering the case particularly problematic, the paradigm's proponents are saved the job of re-tooling their basic thinking in terms of the model, the case and even the basic understandings of what transition has actually wrought in Russia. In the opinion of the author, the transition paradigm failed to provide sufficient scientific explanations of the Russia case due to a gross misspecification of the scientific programme: the Soviet Union and the Russian Federation are not unitary states. The formal mechanisms that are habitually used to measure the transition process, elections and the existence of multiple political parties signifying reform or conservative economic and political platforms, either did not exist in significant numbers or did not possess the clear policy positions necessitated by the transition paradigm to make a complete analysis. However, as the case studies have shown, republican and federal-level elites do have particular permutations of core interests, and they are able to organise and enunciate those interests within the local, republican, and federal context without the existence of official card-

toting political parties. In the end these interests influence and are in turn influenced by the institutional constraints within which elite preferences are formed.

This brings me to my second point. The nature of federalism, in which the federal centre is the +1 in an N+1 bargaining game, fails to expose to the necessary degree the complexity to which interests, competencies, and decision-making authority are transmitted through the various territorial and institutional levels within a federal system of government. Authority, competencies and interests cannot be appropriated only according to specific territorially organised units and their associated institutional structures. As the Tatar case demonstrated, Shaimiev's interests in preserving his regime's political power and economic wealth spread beyond the borders of Tatarstan, and in some cases further – outside the Russian Federation to the Tatar diaspora itself. In the pursuit of maintaining consensus among regional elites and legitimacy in the eyes of the general public, authorities must pursue preferences on a federal and global level. It is obvious that for the Karelian elite the control over its resources allows it some freedom in determining social policy within the republic itself, justifying its authority by linking it with appropriate public policies. As much as the resources can add to the regime's legitimacy within the republic they can also pose a threat to the regional elite in terms of the introduction of competing political and economic interests from federal authorities, oligarchs and foreign firms. The nature of the federal game may be more adversarial, especially when institutional conditions at the centre are uncertain.

Table X again presents an overview of the various analyses of federalism mentioned in the theoretical chapters of the thesis.

	Classification of Federal Systems	**Causality**	**Main Mechanism in Maintaining Federal Systems**	**Treatment of USSR and RF Federal Systems**
1) Riker and Schapps	**Procedural / formal**: division of legislative powers in federal, regional and local hierarchy	**Unidirectional**: Shared set of inherent common interests (external security threats).	**Strong Centralised Political Parties**	**Mixed systems**: informal league combined with nation state components.
2) Stepan	**Procedural Asymmetry**: division of authority according to regional ethnic, linguistic, economic and geographical factors.	**Unidirectional**: decision-making authority is distributed according to differentiated set of regional competencies	**Flexible Federal government which distributes competencies based upon regional characteristics**	**Holding together federal systems**: strong unitary characteristics with serious variation in ethnic make-up of regional units.
3) Oates	**Fiscal Federalism**:	**Unidirectional**: redistribution	**Federal Transfers**	**Federal Centre (Moscow) as sub-**

	efficient provision of public *economic* goods between the central and regional governments.	policies coherent with diversified local economic interests and needs.	**(grants) and taxation coordinated by the central authorities.**	**optimal distributor of public economic goods.**
4) Rodden	**Federalism as legal fiction**: non-cooperative bargaining game amongst competing regional and federal authorities	**Multi-directional**: mutable institutional constraints that redistribute authority according to variable elite interests.	**System of institutional incentives that regulate cynical elite behaviour.**	**Federal Centre and regions compete over distribution of authority in an institutional framework which under-determines incentives for cooperative behaviour amongst elites.**
5) Filippov et als.	**Federalism as open-ended bargaining game**: continuous redistribution of decision-making authority spawned by inter-elite bargaining amongst regional and federal elite.	**Multi-directional**: continuous flow of authority based upon elite and societal political and economic preferences.	**Stability, Institutions and Self Enforcement**	**Elites compete over distribution of political, economic and social authority in an imperfect institutional environment; rent seeking encouraged sum zero outcomes observed.**
6) Alexander Generalisation (Dusseault)	**Federalism as open-ended bargaining game:** continuous redistribution of decision-making authority spawned by inter-elite bargaining over core interests	**Multi-directional**: continuous flow of authority based upon elite perception of pay-offs based on maximisation of core political and economic preferences.	**Preference Equilibrium (elite consensus):** elite preference consensus derived distribution of authority formalised by mutable institutional structures.	**Self-interested elites compete to maximise core preferences simultaneously thus influencing the federal system's institutional structure (induced preferences) over time.**

	amongst regional and federal elite.			

Table X: A Comparison of Various Treatments of Federalism

While going though the review of key factors, one of the questions that arose was, can these models explain institutional outcomes of a federal system undergoing transition when there is no coherent institutional structure at the federal centre? Models 1–4 are dependent upon the traditional N+1 conceptualisation of the centre's role in procurement and distribution of common goods for their definition of a federal system. Thus the absence of a cohesive federal centre would eliminate these treatments from being applied under transition conditions observed in the Russian Federation following the 1991 coup. Model 5 rejected the N+1 model of the federal centre and opted for a bargaining game format that treated the federal centre simultaneously as a constituent unit with its own regional interests and a unit possessing gate-keeper authority to distribute common goods amongst the constituent units themselves. Model five however fails to bring more insight into just what are the elite motivations and causal mechanisms behind institutional renegotiation in federal systems, especially in the case of the Russian Federation in which a highly personalised system of political power and economic control were observed.

By examining the regional component of the federal re-negotiating process and introducing the concept of elite consensus and risk assessments to the federal model, the paradigm of this thesis has produced some accurate assessments of the nature of the federal system in the three case studies.

Applying the pay-off based bargaining model to the constituent units of the Russian Federation has provided insights into the multifaceted process of transition that took place within a federal system of government. Second, the model treats federal systems of government as a distribution of mutable, self-reinforcing institutional capacities and decision-making authority where the role of the federal centre is of a dual nature: constituent unit and gate-keeper. The second point is quite important when we think of the institutional uncertainty that occurred after the collapse of the Soviet Union. Unable to exert its gate-keeper role effectively, the centre became in some instances powerless to limit the amount of rent extraction on the part of the autonomous republics. In the institutionally free environment, the model is also able to cope with the lack of discernible political parties and explains institutional changes through elite interest competition and consensus building within both the regional and the federal context.

The latter point is especially significant in terms of the Russian case in view of the highly personalised nature of political power and economic wealth in the Russian state. If the model has succeeded in distilling any inference from the empirical data concerning the nature of Russian federalism, it is that ***asymmetry can be explained by the ability of regional elites to organise their domestic powerbases against the interests of the federal centre***. The more institutionally galvanised the regional interests, the more likely it is that the regions could extract political, economic and social concessions from the weakened centre.

However, this important point causes problems for the risk aspect of the model itself. The perception of pay-offs on the part individual leaders in the pursuit of political and economic maximisation depends quite a bit upon their own expectations of the policy environment in which they compete for their interests. There is a tenuous link between the risk perceptions of competing actors, the outcomes of the bargaining game and the consolidation of federal-regional regimes. Judging by his behaviour, Shaimiev understood that full independence was an impossibility based on the region's economic, political and cultural significance to the Russian Federation. On the other

hand, Dudayev and to a lesser extent Maskhadov expected too much in terms of their ability to extract rent from the federal centre while simultaneously threatening the core interests of the federal elite: ***the territorial inviolability of the Russian federal state***. Great expectations of an independent Chechnya led to the federal defection from the game as well as a human catastrophe for the population of the republic itself. The concept of risk therefore is an estimation of gaps between competing strategies and not an accurate predictor of human behaviour or changes to the policy environment. In itself, risk is a concept whose influence and nature must be more closely examined.

Some Final Thoughts: Agency and Consolidation of Federal Regimes

If we look at the sixth column of Table X, initially the application of Alexander's model does not significantly differ in a formal sense from the game theoretic paradigm espoused by Fillipov et. als. However, added scientific inference becomes apparent when we return to the nature of actor agency within the empirical scope of the three case studies. Granted, at the heart of the relations between each of the three case studies and the federal centre was a redistribution of political power and economic wealth. However, owning to how each regional elite perceived their own domestic position within the federal framework, the resulting institutional structures (induced preferences) varied considerably.

This increased variation seems to undermine the macro-inference gleaned from large-N studies that focus on the path dependency of local resources or institutions. These factors, as shown in the dissertation, are not in and of themselves independent from, but actually products of competition among rival elite groups. No one factor, be it political power, economic wealth, ethnicity or institutions can be solely attributed to the maintenance of federal regimes. On the other hand, just because a strong set of factors is observed in a particular case, does ***not*** guarantee that elites will be able to fully maximise their core interests either.

Instead, while considering consensus and longevity of institutional arrangements within the Post-Soviet context, the relationship among actors and institutions is rooted in perceptions of both regional and federal elites which themselves are based on imperfect information concerning mutable economic, political, institutional and ethnic conditions. Consolidation with Chechnya only occurred when the radicalised elite was replaced wholesale following the end of the second war in 2000. In regards to Tatarstan, consolidation only took place when institutional agreements regarding the ownership of economic resources in the Republic were resolved with Moscow. In Karelia, consolidation was a non-starter of an issue. None of the factors were salient enough to either illicit a response from Moscow (beyond the granting of tax breaks) or provide the impetus for the regional elite to push its own agenda against the federal centre.

In the framework of the thesis, Post Soviet federal institutional consensus took place on a case by case basis. Hence, it was only precipitated when both sides struck an agreement on an institutional arrangement that suited their interests inclusively. These arrangements have lasted as long as the elites perceive the system to be in line with their core interests. Once that perception is lost, consensus may break down, institutions become expendable, new groups with different strategic calculi form and competition begins to transform the institutional structure from within, or in the worst case scenario, interest competition outside institutional lines may once again ensue.

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