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Russia's Presidential Transition: Vladimir Putin Remains in Charge

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Amid Kremlin pomp and circumstance, Dmitry Anatolyevich Medvedev will be inaugurated the third president of Russia on May 7. His presidency, however, is likely to be very different than that of his two predecessors, Boris N. Yeltsin and Vladimir Putin.

In fact, Putin is currently presiding over a far-reaching rearrangement of power, in which he, as the appointed prime minister, will remain the number one political figure in Russia, and will wield supreme power. The references to Putin as “national leader,” introduced last fall during the parliamentary campaign, seem to be bearing fruit. Unless Medvedev is totally underestimated, and is capable of relegating Putin to a secondary role, the stage is set for Putin to continue ruling for years to come.

A Constitutional Mess. According to the Russian Constitution, the president sets national policy. This includes setting the agenda for the country's economic policy, as well as supervising all major business transactions. The national economy is managed on a daily basis by the appointed prime minister. More importantly, the president sets the agenda and takes the lead on foreign and security policy by chairing the Security Council and supervising the appropriate ministries and other state organs. The president is also in charge of what the Russians call the power structures: the military, security services, prosecutor general's office, customs, tax police, etc. The leaders of these branches are collectively known as *siloviki*, the men of power.

As Putin transitions from the Kremlin to the prime minister's offices at the Russian White House

overlooking the Moskva River, he does not seem to be in a hurry to cede any real power or responsibility to his successor. Some have suggested that Putin will abolish Article 32 (Chapter 5) of the Law on the Government (Cabinet), which provides for presidential leadership and supervision of the power structures, in which case, presidential prerogatives will be severely curtailed.

According to recent publications in the Russian media, Putin is creating a mega-cabinet with up to 11 vice premiers, some of them sworn opponents of Medvedev, further assuring that Putin will continue in his role of the primary “balancer” between different power factions.

In addition to Putin, the new cabinet reportedly will include:

- Victor Zubkov, former Putin mentor and current prime minister, will serve as first vice premier in charge of government and budgetary control and the number one corruption fighter. Zubkov was the chief of the tax police and reportedly has files on everyone of importance in the country.
- Igor Sechin, former Deputy Chief of the Presidential Administration, who may be in charge of the prime minister's office. Sechin, leader of the

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siloviki hard-line faction, is currently Chairman of the Board of the state-owned Rosneft oil company and has crossed swords with Medvedev, the board chairman of the state-owned natural gas giant Gazprom, in the past.

- Sergey Naryshkin, former KGB officer and Putin confidante, currently in charge of the cabinet apparatus.
- Nikolay Patrushev, former KGB general, co-leader of the hard-line faction, and current head of the Federal Security Services. He may become the vice premier in charge of power structures. Patrushev reportedly did not want Medvedev to succeed Putin.

The non-*siloviki* vice premiers are likely to include:

- Dmitry Kozak, in charge of regional development, the appointment of regional governors, the national investment fund, and subsidies;
- Alexander Zhukov, economic policy expert;
- Alexei Kudrin, Minister of Finance and leader of the “St. Petersburg economic liberal” faction;
- Alexei Gromov, currently the presidential spokesman and press secretary, who is likely to become vice premier in charge of education, media and culture.

Putin may even dispense with a vice premier in charge of power structures and supervise them himself. Sergey Ivanov, currently a vice premier and former Defense Minister who was a contender for the presidency, may shift to the Security Council, where he would balance Medvedev. Putin’s political guru, Vladislav Surkov, is likely to stay as the Kremlin’s Chief of Staff, providing support to Medvedev while still loyal to Putin.

The presidential transition is taking place in Russia amidst a power struggle, which has landed the deputies to Patrushev, Kudrin, and General Victor Cherkosov in jail. Cherkosov is another Putin confidant and the director of Russia’s Federal Drug Control Service (FSKN), which is the Russian version of the U.S. Drug Enforcement Administration.

Historical Precedents. During the Soviet era, Russia often had a ceremonial head of state with no power. Under Vladimir Lenin, founder of the USSR,

Yakov Sverdlov played this role until his death in 1918. Under the dictator Joseph Stalin, who was Secretary General of the Communist Party, Mikhail Kalinin was symbolic chairman of the Supreme Soviet. Marshal Nikolay Bulganin was the ceremonial head of state during the rule of Nikita Khrushchev, the party leader. Leonid Brezhnev, Secretary General until 1982, began as a part of the collective leadership triumvirate which included Nikolay Podgorny as the Chairman of the Supreme Soviet.

As Vladimir Putin is now the leader of the ruling party and prime minister, he may follow the Soviet example and dispense with the titular head of state position. Yet, Medvedev has the “nuclear option”—the ability to fire the prime minister. It is doubtful that he would ever employ it, as the ruling party could lead an impeachment vote against him in the State Duma, and Putin as the party leader controls it. Yet, some Moscow insiders are predicting a power struggle between the Putin team and the Medvedev team, which would surely make for a high-stakes game.

Expanding Authority. Before leaving office, Putin signed two key presidential orders that significantly broadened the mandate of the cabinet to control provincial and local bodies. According to the first, presidential authority concerning regional policy is transferred to the cabinet. This means that gubernatorial appointments are handled by the prime minister’s office. Putin abolished the election of governors in 2004, using the terrorist attack against a school in Beslan as pretext. In line with the second order, Putin effectively expanded top-down state control, to encompass city halls and mayor’s offices. While mayors are still elected, they will now report to the Kremlin-appointed provincial governors. Thus, the prime minister will hold the reins of the nation’s “vertical” power structure. At the same time, Putin’s orders were designed to significantly restrict the authority of the president and his staff.

The State Expands Its Economic Power. Putin has also signed a law that would limit foreign investment in key sectors such as oil and gas, aerospace, and the mass media. He did not allow Medvedev, who reportedly has a different view on this issue, to send the law back to the Duma for amendments.

The measure has raised concern among foreign investors. Under the legislation signed May 5, private foreign companies need authorization to buy more than 50 percent of a Russian company in one of 42 “strategic” sectors. A commission of Russian economic and security officials modeled roughly after the U.S. Committee on Foreign Investments in the United States (CFIUS) will review all deals.

Foreign state-controlled companies will need permission to buy more than 25 percent of a Russian company in an industrial sector either controlled by the Russian state or tied to state interests. These include aviation, mining, fishing, media, arms production, and other defense-related industries.

In addition, the definition of what is included in “state interests” is expanding quickly. A powerful expansion by a major defense-industrial concern, Rostechnologii, headed by Putin protégé Sergei Chemezov, has been in the works in the last year. Chemezov is vigorously promoting Rostechnologii’s assumption of control over 600 industrial enterprises, many of which are remote from defense.

There are 35 pharmaceutical companies among the lucrative corporations that Rostechnologii reportedly covets. They do not seem to be related to defense. But Rostechnologii cites the need to guarantee the nation’s “biological security” as the reason for bringing these companies into its fold.

Also, Rostechnologii is set to become Russia’s largest metals producer, wielding control over the ferrous and non-ferrous metals sector. Chemezov is urging the handover of Russia-controlled major smelters in Mongolia to his corporation. In addition, integration of large Russian aluminum producers into Rostechnologii is being negotiated. Rostechnologii also set claim to an array of lucrative real estate in Moscow’s elite districts priced at over \$150 million.

Finally, the corporation’s attempts to assume the government functions for state defense procurement are designed to strengthen its clout. This would give Rostechnologii a greater say in weapons procurement for the Russian military as well as arms exports.

Another Putin friend, media tycoon Yuri Kovalchuk, who currently controls the National Media Group holding, is seeking to bid for National Telecommunications Corporation, which controls major cable TV assets. This move will be instrumental in shaping control of the Russian TV market.

All this implies that Putin and his group are not only determined to avoid sharing political and economic power, but would go to great lengths to retain and nurture power and avert every undesirable threat and challenge after Medvedev takes office.

Conclusion. The United States should wait patiently until the dust settles in this transition between the Putin and Medvedev teams. Any open conflicts may indicate that the ruling elites in Moscow are far from united.

If Russia continues to oppose the U.S. over major international agenda items, including Iran sanctions, missile defense in Europe, NATO Membership Action Plans for Georgia and Ukraine, and the Georgia–Abkhazia conflict, the Bush Administration should hold firm to its positions and build leverage in its relationship with the Kremlin. Unless there is a breakthrough and a fundamental paradigm shift, the Medvedev presidency and the continuation of the Putin rule mean business as usual in U.S.–Russian relations.

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