

Medvedev May Lose In Mayor Mess

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President Dmitry Medvedev's decision to fire Moscow's mayor may look bold, but the time he took to make it and a compromise over a replacement mayor subtract from the Kremlin chief's move.

Keen to make his mark more than halfway through a presidential term characterized by notable speeches but few big deeds, Medvedev issued a terse decree during a state visit to China stripping Mayor Yury Luzhkov of his post, citing a loss of trust.

The move sparked concern about possible instability in Russia's tightly knit elite. The country holds parliamentary elections next year and a presidential vote in 2012. Either Medvedev or Prime Minister Vladimir Putin will stand in that elections, political watchers expect.

Luzhkov, a key figure in the ruling United Russia party, had publicly criticized Medvedev in state newspaper Rossiiskaya Gazeta. That prompted allegations that he favored Putin and was committing the cardinal sin of trying to drive a wedge between the two members of the tandem.

In a country where Kremlin power is supposed to reign unchecked, Luzhkov's criticism of

Medvedev in an article in the state newspaper on Sept. 6 and his subsequent defiance risked a serious embarrassment for the president.

On Monday, Luzhkov returned from a week's trip in Austria and effectively dared Medvedev to fire him. After such a public show of insubordination, Medvedev had little choice but to act ☒ though he did so via a decree issued from overseas.

The impression of improvisation was reinforced by Medvedev's decision to make Luzhkov's most trusted ally, First Deputy Mayor Vladimir Resin, acting mayor.

Resin heads construction projects in the city and drew fire after a photograph of him wearing a watch worth more than \$1 million dollars was published in Vedomosti ☒ not quite an anti-corruption image for a new mayor.

Although Resin, 74, is unlikely to stay in the post long, analysts said the move suggested Medvedev had been unable to win consensus on a permanent mayoral candidate.

"The fact there was no high-profile replacement ready to go suggests the situation was forced on Medvedev," Uralsib chief strategist Chris Weafer said.

"It would suggest Medvedev may have needed permission [for the decision] and wasn't expecting to get it at that time."

Throughout the affair, Medvedev failed to project the impression of a decisive leader in control, reinforcing instead the feeling that has persisted since his inauguration that he cannot take a major decision without Putin's permission.

"Of course Luzhkov was fired by a joint decision of the tandem," Ekho Moskvyy editor-in-chief Alexei Venediktov said on air. Medvedev "would never decide appointments, even appointments which are within the president's area of competence, on his own."

Medvedev avoided publicly criticizing Luzhkov during the showdown, leaving the task to anonymous "Kremlin sources" who briefed local media against the mayor in recent weeks. Baturina mocked the whisper campaign.

Angered by the abrupt manner of his dismissal, the former mayor may choose to fight the Kremlin ☒ though if he does, he risks the fate of Mikhail Khodorkovsky, the oil magnate who defied Putin only to be stripped of his assets, prosecuted for embezzlement and sentenced to a jail term in Siberia.

"Luzhkov's biggest mistake was to think he was untouchable," said Gleb Pavlovsky, who runs the Kremlin-connected Foundation for Effective Politics. "Why did he think he can carry on after 18 years like [late Soviet leader Leonid] Brezhnev when Putin himself left the presidency after eight years?"

"If Luzhkov now tries to create political conflict, Putin will be just as harsh on him as Medvedev. It would be a clear violation of the rules of the game," Pavlovsky said.

Luzhkov and his billionaire second wife Yelena Baturina have plenty to lose from a battle with the Kremlin.

Baturina presides over a huge property empire in which the interests of powerful figures may be tangled, raising concerns of a war over assets in the wake of her husband's sacking.

State media have accused Baturina's Inteko construction company of profiting from her husband's position running the city's 1.1 trillion ruble (\$36 billion) budget, an allegation that the couple have strenuously denied.

"We think that the heavy exposure of Luzhkov's family to the real estate business in Moscow means the development could have meaningful implications for the local real estate market, potentially triggering a sell-off of properties and a decline in prices," analysts at Unicredit bank said in a note.

Pavlovsky said the unusually harsh language of the presidential decree firing Luzhkov and the fact that Medvedev chose to speak of a "loss of confidence" in the mayor pointed to the possibility of future legal action.

The choice of Luzhkov's permanent successor, when it comes, is likely to provide a final verdict on the extent to which Medvedev can assert himself.

The president insisted on Tuesday that the final decision would be his. But the names floating in the Russian media as leading candidates are Putin loyalists: Putin's chief of staff Sergei Sobyenin, his long-time cabinet ally Sergei Shoigu and his old KGB associate, Deputy Prime Minister Sergei Ivanov.

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