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Putin and the Regions

By Nikolai Petrov

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Although President Vladimir Putin's state-of-the-nation address last week was largely an amalgamation of vague promises devoid of strategic vision, his comments on the regions were concrete and meaningful. It's worth taking a closer look at them because Putin elaborated on them during an earlier meeting with his inner circle and a subsequent meeting with his advisory Council of Legislators, consisting of lawmakers from the State Duma, Federation Council and regional legislatures.

Putin called for a strengthening of the economic base of the regions, complaining that only 10 of Russia's 83 regions are "donors" to the federal budget, while the rest are recipients of federal aid. One of the methods he announced in his message was the redistribution of tax revenues from the top down. As initial steps, municipalities would receive most tax revenues from small businesses, and a number of federal exemptions would be eliminated on property tax and a tax on land owned by legal entities. The land tax is slated to rise significantly in 2014.

At his meeting with the Council of Legislators, Putin recommended that the regions be

enlarged as a second method. He pointed out that income levels vary widely between regions, and he blamed this on a disruption of the "natural connection that used to unite self-supporting regions." He cited St. Petersburg and the Leningrad region as examples, both of which were managed by a single Communist Party committee during the Soviet era. By the way, the Federal Security Service in that city and region is under a single management — as was the KGB.

Putin also cited small ethnic enclaves that are part of larger regions. Stressing that nobody is being forced into anything, Putin said that "people should themselves come to the conclusion that it makes good sense to combine into larger entities in order to more effectively solve social and economic problems." At the same time, he said, "super-regions are also undesirable," so everything should be within reason.

However, if Putin were to look at a map, he would see that the odd idea of boosting self-sufficiency by joining "weak" regions with "strong" ones does not work. The three largest "donor" regions are Moscow and the Yamal-Nenets and Khanty-Mansiisk autonomous districts. Moscow is already a super-region, and it would be difficult to join anything to the two other regions because of their remote northern location. What's more, the problem is not with the structure of the territories or regional governments. The problem lies first in the overly centralized nature of the tax system and second in the overreliance of the Russian economy on exports of raw materials.

Putin also mentioned ethnic republics in both his state-of-the-nation address and in his meeting with legislators. In the speech, he said, "We will not allow the emergence of closed ethnic enclaves in Russia, with their informal jurisdiction existing outside the country's common legal and cultural norms and disdainfully disregarding the accepted standards, laws and regulations." This might sound like an accurate description of the situation with Chechnya, but the words were probably aimed at Tatarstan.

Putin mentioned that the Kremlin was ready for a major new policy of bringing the leaders of the republics into the power structure. The actual method has yet to be worked out. It might, for example, follow the Dagestan model of indirect elections and be coupled with a consensus of a region's main ethnic groups. In any case, the problem is clear: Holding direct elections in national republics with complex ethnic issues carries the risk of destabilization.

What conclusion can be drawn from this? That the Kremlin realizes that decentralization is both necessary and inevitable but that it is not yet ready to make it a reality. Putin's proposals are inadequate.

Nikolai Petrov is a scholar in residence at the Carnegie Moscow Center.

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