

Medvedev favours limiting the influence of officials on the economy

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At the meeting of the commission for modernisation on 30 March, President Dmitri Medvedev announced a list of recommendations for the government and the President's Administration aimed at improving the investment climate. On the level of specific instructions, the crucial is that the deputy prime ministers and ministers sitting on the supervisory boards of the state-owned enterprises in their respective industries should resign by 1 July this year. Implementing this order will lead to the departure of several important representatives of the ruling team from state companies, including the influential deputy prime minister Igor Sechin. This action will weaken these officials' means for direct control over the companies, but it does not mean they will lose their influence on the economy, as the practice of governing via informal contacts is of essential importance. The general significance of the President's recommendations comes down to a call to reform the existing economic model, and is another sign of his public criticism of how power is wielded in Russia. By this action, Medvedev is giving up demonstrating his loyalty to the ruling elite; this may lend credence to the thesis that he is not seeking re-election, and is now focusing on strengthening his image as a moderniser and reformer.

The President's recommendations

A list of 10 recommendations, with deadlines for their implementation, was handed to the Government and the President's Administration on 2 April (presidential recommendations are not binding legal instruments, and are rather seen as political documents). Among other measures, the President has called for a reduced role for officials in regulating economic processes, increased public supervision of the activities of state organs, and the building of mechanisms for dialogue and consultation with business. The most important recommendation appears to be that the deputy prime ministers and ministers sitting on the supervisory boards of the state-owned enterprises in their respective industries be dismissed by 1 July (as should all representatives of the government and the President's Administration, by 1 October), and that independent directors or delegates of the government should be appointed to those positions. Interestingly, this recommendation does not apply to the Prime Minister (Vladimir Putin is head of the supervisory board of the state bank Vneshekonombank). Currently, representatives of the government and the President's Administration serve on many boards of directors in state-owned companies, often several at a time. This reinforces their control over these particular sectors, and they

often exploit this role to build up their private economic power bases.

Who will lose from these changes?

Most of the recommendations contained in the document are not very specific in nature. Some of them accord with government policy (such as the elaboration of a specific timetable for privatisation over the period from 2011 to 2013; the government has already accepted a general programme for privatisation by 2015). We may also expect the implementation of the President's plan to lower the social insurance rates, which had been raised during the economic crisis.

In turn, implementing the most important recommendation – namely, removing the deputy prime ministers and ministers from the supervisory boards of state-owned enterprises – may lead to changes in the government's mechanism for supervising these firms, and limit the influence of certain officials on how these businesses operate. However, formal membership of the supervisory boards is not their sole and most important tool for affecting the economy, especially regarding important members of Putin's elite (most of whom have no government positions). Most important is the informal influence and exploitation of social contacts they use to promote decisions which benefit them, most often with the Prime Minister and leader of the ruling team, Vladimir Putin. It is likely that the members of the elite are now using their influence to keep control over the state companies, for example, by getting trusted associates appointed to their old positions.

The most important case here seems to be that of the deputy prime minister Igor Sechin, the interim chairman of Rosneft's supervisory board, and the person at whom President Medvedev's recommendations will strike hardest. Sechin is one of the most influential members of Putin's elite, and the best example of how Putin's inner circle has used informal mechanisms to take control of the economy. The launch of the 'Yukos case' in 2003, which resulted in the state-owned Rosneft taking over its most important assets, is attributed to Sechin, although he himself had no formal instruments of control over the petroleum sector at that time. Sechin was only named deputy prime minister for the energy sector in Putin's government in 2008, when his informal influence in this sector was already firmly established. Now, as directed by the President, Sechin must leave Rosneft, which formally removes him from any decision-making on the company's policies. On the other hand, Sechin's strong position in the elite and his crucial impact on the petroleum sector leads one to believe that he will seek to maintain his interests in the company via his associates. From media reports, it appears that the government's representative in Rosneft may turn out to be Sechin's close colleague Vladimir Milovidov. Previously head of the government's Federal Financial Markets Service, Milovidov resigned from this position on 30 March. The case of Sechin shows that even the formal implementation of the President's recommendations does not mean that the declared objective, of reducing the role of the state in the economy, will be achieved.

What does Medvedev seek?

An analysis of the possible consequences of Medvedev's recommendations shows that the President's aim is not so much to limit the influence of the ruling elite as a whole, but rather to temporarily weaken the position of certain members of the elite, especially Sechin. This can be explained by the poor relationship between the two politicians (before the choice of Medvedev as President, Sechin was said to have opposed his nomination); nor can it be ruled out that the move to put certain limits on the influential and increasingly self-reliant Sechin may have the tacit support of the leader of the ruling team, Vladimir Putin.

At the same time, the general significance of the President's recommendations and their accompanying rhetoric (such as his strong criticism of the state's excessive role in the economy) confirm that during the run-up to the election, the President is allowing himself to criticise Russia's economic and political model with increasing vigour, ceasing his demonstrations of loyalty to Putin's elite. This may lend credence to the thesis that Medvedev is not seeking re-election, which at the same time would suggest that Vladimir Putin has made the decision to return to the Kremlin. In this context, President Medvedev's liberal declarations of the last month would be part of his strategy of strengthening his image as a moderniser and reformer. In his declarations, Medvedev seems to be drawing on the mood of the country's business and intellectual elites, who are appealing increasingly vocally for adjustments to the ruling team's policies, including an end to the latter's monopoly on political and economic decisions. The most interesting voice to be heard in this discussion comes from a report issued at the end of March by the Centre for Strategic Studies, a think-tank close to Putin, which warns the government against losing its legitimacy, and states that a political crisis might erupt if the current policies, including tight control over the political sphere, are maintained.

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