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Luzhkov loses the battle of Moscow

Jadwiga Rogoża

On 28 September, President Dmitri Medvedev dismissed the long-standing mayor of Moscow Yuri Luzhkov on the grounds of 'loss of confidence'. The mayor's dismissal was preceded by several weeks of public conflict between him and the Presidential Administration, which was supported by the media controlled by Vladimir Putin's entourage. The departure of Russia's most influential regional leader ends the process which the current ruling elite had undertaken of replacing the regional elites, and more broadly, dismantling the structures (formations?) which had been left over from the 1990s. Putin's elite is hereby taking direct control over the richest region of Russia, in which the political and financial life of Russia is concentrated. This will lead to the zones of influence in the capital being divided up anew, and will include a redistribution of property to new owners linked to the current ruling group.

A conflict crowned by a sacking

On a visit to China, President Dmitri Medvedev issued the decree dismissing Yuri Luzhkov from his position as mayor of Moscow. The decree is couched in harsh language: the reason for dismissing Luzhkov was given as the president's 'loss of confidence' in him. For the first time, Medvedev used the formula laid down in the respective law, whereas in previous cases the formula 'in connection with his move to another appointment' had been used. Mayoral duties will temporarily be undertaken by Luzhkov's first deputy, Vladimir Resin.

In the weeks before the dismissal of the capital's mayor, a public conflict between Luzhkov and the Presidential Administration had taken place. This conflict, initiated by the president's entourage, was then intensified by the media, including federal TV stations controlled by Putin's entourage; a series of programmes was broadcast which accused the mayor of corruption, nepotism, and ineffectiveness in solving the city's problems. In response, Luzhkov harshly criticised the president, and so demonstrated that he is not ready to compromise; he also dismissed suggestions that he was stepping down voluntarily. At the same time, the mayor appealed for support from Putin; however, these appeals did not bring any result. Luzhkov's dismissal was conducted by President Medvedev in such a way as to make the maximum public impression, and was used for propaganda purposes to emphasise Medvedev's authority (his decision was supported by Prime Minister Putin, among others).

The twilight of the regional barons

The dismissal of the head of the Russian Federation's most important region crowns the process of removing from power those players who did not have close ties to the current ruling group. One element of this process was the replacement of the regional elites, including the long-serving heads of important regions. This process was initiated during Putin's presidency, and has been stepped up in recent years; over the last two years, President Medvedev has replaced 40% of the governors, including such influential personalities as the President of Tatarstan, Mintimer Shaymiyev, and the President of Bashkiria, Murtaza Rakhimov. This was made possible by actions undertaken during Putin's presidency to dismantle the structures which the regional heads had created (replacing direct elections for governors by having them appointed by the Kremlin; deepening the regions' financial dependence on the centre; having federal interest groups take over attractive assets, and so on). As a result of these activities, which took several years to implement, the regional barons were forced to resign on various pretexts, on the basis of 'mutual agreement', and without any public conflicts – for which they were rewarded with honorary functions and guarantees of safety.

The Luzhkov case

The case of Luzhkov is exceptional in Russian terms, both because of the scale of its influence, and the public conflict which accompanied his departure. Luzhkov was mayor of the capital for 18 years. During that time he built up a private business and social empire in Moscow, the foundations of which included representatives of business and the older generation of the secret services, who formed the framework of Russian capitalism in the 1990s. Luzhkov's control over Moscow's economy is illustrated by his wife Yelena Baturina's business career, which started at the beginning of the 1990s with a trade in plastic products; in recent years, her company Inteko has come to control 25% of the construction market in the Russian capital (Forbes estimates Baturina's wealth at nearly US$3bn).

The summit of Luzhkov's political ambitions came at the end of the 1990s, when in alliance with the then Prime Minister Yevgeni Primakov and some of the regional barons, he threw down his challenge to the Kremlin. The party he created, Fatherland-All Russia, stood against the Kremlin's Unity party in the parliamentary elections; in the presidential elections of 2000, Primakov was to have been the rival to the Kremlin's candidate, Vladimir Putin. However, the face-off ended in victory for the Kremlin and Putin, after which Luzhkov and many of his associates declared their loyalty to the new government. Since this time, Moscow's mayor has often tried to demonstrate his own loyalty; he guaranteed Putin and the 'party of government' good electoral results, he was used in important foreign missions (among other acts, he supported the presence of the Black Sea Fleet in the Crimea). At the same time, he has always tried to maintain his autonomy, particularly in business matters, and as a result he never enjoyed the full trust of Putin's ruling elite. The Kremlin was always interested in taking direct control over the most powerful region of Russia, and for years attempted to gradually weaken Luzhkov's position, including striking at his business

partners.

What's next with Moscow?

By getting involved in open conflict with the Kremlin and demonstrating his lack of desire to withdraw voluntarily, Luzhkov has ruled out any scenario of a peaceful departure, which would have ensured him a way out on his own terms (retaining some of his influence and assets). Currently, the most likely scenario for how events will unfold is that the ruling elite will quickly take direct control over Moscow's system of government and financial assets. Luzhkov's political support is disintegrating at lightning speed. Immediately after his dismissal he was criticised by all the most important politicians, and his recent allies have also broken off with him (for example Luzhkov had to withdraw his membership of the 'party of government', One Russia). One of his deputies, who had previously been accused of corruption but defended by Luzhkov, has resigned hurriedly. A harbinger of the disintegration of Luzhkov's business empire is the media accusations that Yelena Baturina is moving her capital abroad, and that the Investigative Committee of the Russian Federation and the Ministry of Interior are investigating the activities of Luzhkov and his wife.

The process of redistributing Moscow's assets and the re-division of influence in Russia's richest city may bring about disturbances within the ruling elite. Battle may be joined not only over which candidate will succeed Luzhkov (a final decision in this matter has not yet been announced), but also over who will control Moscow's lucrative financial assets (including in the construction, banking and trading sectors), which Luzhkov and his entourage had previously controlled.