

Mikhail Mishustin, Russia's new Prime Minister

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On 15 January, shortly after President Vladimir Putin delivered his annual address to the Federal Assembly, in which he announced changes to the constitution, it was reported that Prime Minister Dmitri Medvedev and his government had resigned. The President entrusted the previous cabinet with the task of governing in the interim, but he then announced that he had nominated Mikhail Mishustin, who had hitherto been the head of the Federal Tax Service of the Russian Federation, for the post of prime minister. The new prime minister was approved by the State Duma on 16 January.

1. Profile of Mikhail Mishustin

1.1. Education and scientific work

Mikhail Vladimirovich Mishustin was born on 3 March 1966 in Moscow (he is 53 years old at the time of writing). He graduated in 1989 from the Moscow Machine Tool Institute (now the 'Stankino' Moscow State Technical University), majoring in computer-aided design, and obtaining a degree as an engineer in systems technology. In 1992 he completed his doctoral studies at the same university, but did not defend a doctoral thesis at that time, only doing so in 2003 with a work on 'The mechanism of the State Tax Administration', which gained him a degree as a doctor of economics. In 2010 he prepared his post-doctoral thesis on 'A strategy for the development of property taxation in Russia', which gained him a post-doctoral degree in economic sciences.

In 2008 Mishustin was the founder of the Institute of Real-Estate Economics at the Higher School of Economics in Moscow, Russia's prestigious business school, becoming its first chief scientific director. In October 2013 he became scientific director of the Department of Taxes and Taxation at the Russian government's University of Finance. He has published three monographs and more than 40 scientific articles. He is a member of the scientific council of the Russian Academy of National Economy and Civil Service under the President of the Russian Federation.

1.2. Career in business

In 1992-6 he worked in the International Computer Club, a company founded by his friend Levon Amdilian, first as head of its laboratory, and then as deputy director and CEO. Among other activities, the Club introduced advanced Western computer technology into Russia.

From March 2008 to April 2010, during a break from his work in the civil service, Mishustin was president and managing partner of a private company, OFG Invest (internationally

registered as UFG Capital Management; it formed part of UFG Asset Management, which in turn is part of UFG Group, created by the Russian official and businessman Boris Fyodorov and the American financier Charles Ryan), which specialises in private asset management, direct investment and investment funds in Russia, in cooperation with Deutsche Bank (which ran UFG CM from 2008 to 2013).

1.3. Career in government service

In 1998 he began working at the State Tax Service of the Russian Federation, first as an assistant to the director (at that time Boris Fyodorov, a former finance minister and deputy prime minister of the RFSSR and the RF) responsible for IT systems monitoring tax revenue. In August 1998 he was appointed deputy head of the service, and after it was transformed into a fully-fledged ministry in December that year, he became deputy minister for taxes and fees. He was mainly responsible for the computerisation and digitisation of the tax system. In April 2004 he was appointed head of the Federal Agency for the Real Estate Cadastre (*Rosniedvizhymost*), where he oversaw the creation of the state register of building plots. In December 2006 he was appointed head of the Federal Agency for the Management of Special Economic Zones, and under his leadership a number of such zones were established. He resigned in 2008 – as he claimed, at his own request, as he had successfully completed the tasks assigned to him. According to other reports, however, he lost the patronage of German Gref, who had ceased to be minister for economic development. In February 2009, Mishustin joined the presidential personnel reserve, which brought together experts and officials from the younger and middle generations.

After a break from work in the civil service, he returned to it in 2010. On 6 April of that year he was appointed head of the Federal Tax Service (*FNS*) and held this post continuously for over nine years.

He has the rank of active state councillor of the Russian Federation, first class. He has been awarded the Order of Honour (December 2012) and the Order of Merit for the Fatherland, fourth class (July 2015).

1.4. Private life and social activity

Mishustin is presented as a Russian, although according to some sources he is half-Armenian. He is married and has three sons. Like President Putin, he is a lover of hockey. He was a member of the board of trustees of the Dynamo Moscow hockey club, and is now a member of the board of trustees of the CSKA Moscow hockey club. Mishustin is not widely known and has rarely appeared in the media.

1.5. Positive opinions of Mishustin

Mishustin has a reputation as a very capable manager, with a particular specialisation in implementing digital and IT technology. His credited achievements include the creation of modern systems for administering and processing tax information, which has increased tax income. His particular achievement is said to have been the creation of a cadastre system in Russia and the creation of several special economic zones (in Alabuga and Lipetsk, among others), as well as the introduction of electronic digital signatures and taxpayer identification numbers.

1.6. Relationship with the Kremlin

Mishustin has not hitherto been seen as a significant member of Russia's political elite or President Putin's inner circle. However his biography, his careers in business and the civil service, and his social activity (as well as some media reports) show that he is personally acquainted with influential members of the Russian ruling elite.

Mishustin's biographical information and media reports suggest that he was a protégé of Boris Fyodorov, a civil servant and businessman of importance in the 1990s; among others he was Minister of Finance of the RSFSR (1990), Minister of Finance of Russia (1993-1994) and a Deputy Prime Minister of Russia (1992-4, and again in 1998); he was co-founder of the OFK (UFG) financial holding, and died suddenly in London in November 2008.

According to some media reports, Mishustin was also allegedly a protégé of German Gref, Putin's longtime collaborator and the current head of Sberbank; Gref apparently arranged for Mishustin to become head of *Rosniedvizhymost*, and then head of the agency for special economic zones.

Other reports speak of his friendship (probably from about 2007) with another of Putin's longtime close associates, the current head of the Foreign Intelligence Service Sergei Naryshkin, who allegedly became his next patron (he apparently recommended Mishustin to the presidential personnel reserve), as well as with Rashid Nurgaliyev, deputy secretary of the Security Council (a key body in the informal system of state institutions), whom he apparently met while playing hockey.

Mishustin is alleged to have become head of the Federal Tax Service (*FNS*) at the request of the then Minister of Finance Aleksei Kudrin, but apparently only later became friendly with this longtime friend of Putin.

Mishustin's activity in the field of sports has undoubtedly been an important platform for his informal contacts with prominent members of the ruling elite. The board of the Dynamo hockey club brought him into contact with its other influential members, including the head of the FSB Alexander Bortnikov, the current defence minister Sergei Shoigu, the former deputy head of the Presidential Administration Committee for Personnel Viktor Ivanov, the deputy secretary of the Security Council Rashid Nurgaliyev, and the former head of the Federal Defence Service Yevgeny Murov. Even today, Mishustin's membership of the board of the CSKA hockey club brings him into contact with members of Putin's inner circle: the head of Rosneft Igor Sechin, the head of InterRAO Boris Kovalchuk, and the head of Gazprombank Andrei Akimov.

While holding senior positions in the tax and cadastre services, Mishustin must have acquired significant and sensitive knowledge, and is likely to have entered into informal relationships with high officials – at both the regional and federal levels – who regularly and *en masse* have received corrupt income, avoided paying taxes, and acquired business assets & expensive property. It is very likely that during his business activity in 2008-10, Mishustin could even have served as a mediator in such practices. On the other hand, the functions he has performed mean that the key decision-makers must have bestowed significant levels of confidence in him.

2. Commentary

2.1. Reasons for choosing Mishustin

Both the sudden dismissal of the unpopular Prime Minister Medvedev and the even more rapid nomination of Mishustin – a person little known to the public – came as a surprise not only to observers, but also to the participants in Russia's political life (including members of the government, as could be seen from their body language during the meeting at which Medvedev announced his resignation), as there had been no public leaks on the matter. The decision was probably disclosed in advance to only a very small circle of President Putin's close associates. Such a move, which was announced together with the presidential amendments to the constitution, is typical of Putin's political style, along the lines of a 'special operation', aimed at surprising audiences and leaving no time for lobbying.

The choice of Mishustin, it seems, was dictated by a dual motivation on the Kremlin's part. His current activities in the civil service have been assessed positively; also, account was probably taken of his image as an efficient manager, an expert especially in the new digital and information technologies, which constitute one of the declared priorities for the development of the state. The lack of any signs of political disloyalty on his part was also very important.

At the same time, and seemingly more important, Mishustin was personally known to influential members of the ruling group with whom he had also informally come into contact, and who apparently gave him their trust. We may assume that one of the reasons for this trust was Mishustin's alleged role in protecting or supporting the opaque (or even unlawful) economic & financial activities carried out by members of the ruling elite. The suspicions and accusations against Mishustin coming to light in this context, however, are not only not obstacles to his appointment, but even constitute an argument in his favour, as they serve as an informal guarantee of his political loyalty, and constitute instruments of pressure which can be used to ensure his subordination.

2.2. Mishustin's nomination: objectives and consequences

It is impossible, before the current cycle ends, to come to a more far-reaching conclusion as to what the ultimate goal of the personnel reshuffles and institutional changes in the Russian system of power is. We can say more after the composition of the future government and the Security Council of the Russian Federation is announced.

Nevertheless, it is already possible to formulate some hypotheses:

The choice of Mishustin, it seems, is at odds with the expectations of most of those parts of Russian society which are interested in politics and who had expected personnel changes – the introduction of young, energetic, recognisable people, blessed with a certain charisma and not suspected of involvement in the pathologies of Putin's system such as corruption and illegal enrichment. This may lead to disappointment (the first signs of this are already appearing in public spaces) and irritation. On the other hand, we should expect the state-controlled media propaganda and the natural opportunism of the ruling elite to grant Mishustin some public trust – albeit limited in both degree and time.

Mishustin is a typical technocratic official. He should not be expected to accrue any significant political weight. He will rather be a 'technical' prime minister, whose task will be to manage the administration and problems of the state. If as expected the government

fails to achieve any clear success in the socio-economic area, and if the public mood remains negative, we can expect that he will be the focus of some of the social discontent, thus relieving President Putin of this burden to some extent. Mishustin should thus not now be treated as a serious presidential candidate, the formal successor to Putin. Such an option would theoretically be possible only if the Kremlin decided to seriously weaken the office after Putin's expected departure.

The nomination of Mishustin, among the other personnel changes and amendments to the constitution which were announced, represents the clear beginning of the process of managing the succession of power in Russia. The Kremlin's final decision regarding the detailed model of the legal, institutional and personnel aspects of the succession has likely not yet been taken (that will have to consider both the internal situation and the international environment); but even if it has been, it is still in Putin's interest to delay its announcement for as long as possible. Putin's decisions, as announced on 15 January during and immediately after his address to the Federal Assembly, indicate that the most likely scenario will proceed as follows:

- Vladimir Putin will not run again for the post of President of Russia (after his last term, as currently provided for in the constitution, expires in 2024; however, it cannot be completely ruled out that he may resign before the deadline);
- The powers of the President will be weakened in favour of parliament (and perhaps the government), and elements of checks and balance will be created (probably while maintaining the advantage of the powers enjoyed by the presidency);
- Vladimir Putin will retain a decisive influence over strategic decisions concerning state policy, while reducing the current burden of managing the administration to a minimum. This will involve changes in the formal and informal system of state institutions. Putin is likely to assume a newly created (or an existing but modified) post: for example, head of the State Council, the head of the Security Council, or the President of the Union State of Belarus and Russia.