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Photo: AP Images

*The second issue of The PBN Company's Russia Election Update follows last month's parliamentary elections outlook with an analysis of the upcoming presidential transition, culminating in the election of President Vladimir Putin's successor on March 9, 2008. This issue includes several short articles and background features designed to provide readers a "primer" on the complex political dynamics at play in Russia's election cycle.*

*Following President Putin's announcement on October 1 that he would head the United Russia electoral slate for the December 2 parliamentary elections, the conventional wisdom immediately solidified around the "answer" to the presidential transition uncertainty. Observers understandably assumed that Putin will become Russia's Prime Minister – he referred to the notion as a "realistic" possibility – and that executive powers would be reallocated accordingly, either formally or informally. Upon further reflection, however, this outcome seems more questionable, and influential Russian analysts are now speculating that the transition will not unfold in this way.*

Nature of the System

The state regime in Russia is divided neither vertically by governmental branches nor horizontally by federal or regional cleavages. Rather, it presents a unified structure commonly called "the power vertical." It is not linked to society by political parties or civic institutions, but rather by an overwhelmingly popular president.

Russia's "managed sovereign democracy" relies on control of major media outlets to engage society. Inflight-

ing certainly exists, and with the transition beginning, tension has evidently started to grow and to leak into the public domain. All of these factors contribute to the sensitivity and complexity of the regime change coming in the 2007-2008 parliamentary and presidential elections.

Irrespective of the details or mechanisms for transferring authority, the vertical concentration of power and President Putin's immense domestic popularity make his own transition very tricky. It will determine the short-term future of:

- President Putin's personal career;
- the political regime he created;
- the political and business elites he represents; and,
- the relationship of the state with civil society.

This change not only encompasses the transfer of official presidential responsibilities, but also the role of arbitrator among ruling elites, in the property issues of major players, and in major federal budget and other financial cash flows.

President Putin has avoided becoming a "lame duck." On the contrary, he is actively working to prevent a power struggle in his inner circle, among the power elite and in society in general. His latest published approval ratings were the highest ever – close to 80%. A majority of polling respondents still believes that Putin will be the next president, despite his repeatedly voiced intention to step down.

Until recently, the most likely scenario for the transfer of presidential power was the President's nomination of an "official" successor (likely as interim Prime Minister), followed by a reshuffling of the government.

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## Nature of the System

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This scenario follows the chain of events by which Putin came to power through a promotion by then-President Boris Yeltsin in 1999. Alternatively, in the aftermath of the December 2, 2007 parliamentary elections, the victorious United Russia party could nominate Putin's choice as its candidate in the March 2008 presidential election.

A further twist was added to the conventional wisdom with the October 1 announcement that President Putin will head the United Russia party list for the December parliamentary elections. This move, while discussed previously as an unlikely possibility, raises several concrete questions, including:

1. Will Putin accept the role of Prime Minister following the United Russia win in December?
2. When and how would such a scenario materialize?
3. What would this mean for the office of the presidency, and the government as it is currently structured – an informal shift in authority or a constitutional change to parliamentary democracy?

## Election Season: The Transition Begins

Russian citizens, local businesses and foreign investors have been awaiting a signal by President Putin as to his preferred choice for a successor. This waiting period started with the beginning of the "primaries" between First Deputy Prime Ministers Dmitry Medvedev and Sergey Ivanov earlier this year, with many political observers noting that "Project Successor" would require six months to effectively mobilize the administrative resources necessary to enhance the profile of the chosen candidate.

While a signal from Putin was expected after the summer holidays, the outcome was a complete surprise; on September 12, Putin nominated little-known financial crimes investigator Viktor Zubkov as Prime Minister. In fact, in the hours between Prime Minister Fradkov's resignation and the Zubkov announcement, a consensus quickly formed among market analysts, journalists, and pundits that Sergey Ivanov would be nominated, with some outside speculation that Deputy Prime Minister Sergey Naryshkin might get the nod. The prominent business daily *Vedomosti* even reported that a senior Kremlin official had confirmed that Ivanov would be the new Prime Minister (see "The Zubkov Government" on page 5).

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## History of "Project Successor"



*Photo: Ilya Pitalev/Kommersant*

President Putin has instituted several measures to balance and manage the transfer of power on the eve of his departure. He began this process in November 2005 by appointing Dmitry Medvedev as First Deputy Prime Minister, and Defense Minister Sergey Ivanov as Deputy Prime Minister. In doing so, Putin effectively presented them as the "unofficial candidates" for President.

Both candidates were given areas of responsibility to make them attractive to voters. Medvedev was to oversee the allocation of budgetary resources for housing, health, education, and rural gasification as part of the much-publicized National Projects. Ivanov was assigned the development of Russian industry, including issues of diversification, innovation in critical areas of infrastructure, nanotechnology, and other high-tech sectors. Medvedev is trusted more on the economy; Ivanov more on security, foreign policy and corruption.

In early 2006, Dmitry Medvedev was considered to have moved out in front. A new stage began in February 2007 when Sergey Ivanov was also promoted to the position of First Deputy Prime Minister. By equalizing their administrative and political resources, Putin essentially created a "presidential primary." Both candidates received large and public mandates, and enjoyed considerable and exactly equal amounts of exposure in the state-run media. Despite this leveling of the playing field, Medvedev continued to maintain a lead from January to May 2007, before Ivanov closed the gap and surpassed him according to most estimates.

If a two-candidate field truly emerges, or if they were to face one another in a potential runoff, the public would choose between two futures: the careful liberalism of Medvedev or the dirigiste policies and state capitalism of Ivanov. Both candidates have publicly expressed their positions, and they lead public opinion polls when the incumbent President is excluded. The polls in September showed the two contenders effectively tied. One leading poll has 34% for Medvedev and 31% for Ivanov, while another has Ivanov in front by a margin of 36-34%. There is no question that Ivanov has gained significant ground since May 2007, and prior to Viktor Zubkov's appointment and President Putin's decision to head the United Russia parliamentary list, he was considered the most likely candidate to succeed President Putin.

**Election Season** *(continued from page 2)*

Several powerful clans operate behind the Kremlin’s walls, and the choice of a loyal “unknown” in the form of Zubkov was a move by Putin to keep various ideological groups within the Presidential Administration from getting the upper hand, at least before Mr. Putin himself is ready to step down. The creation of “primaries” and the recent government shifts are practical steps to reconfigure the current management team while preserving its leaders and core principles.

Minister no longer subject to the President’s will, and giving the Prime Minister direct control over the “power ministries.” However, moving Viktor Zubkov into the presidency would allow Putin to take the reins as Prime Minister and continue to wield considerable power, perhaps only until suitable conditions can be created for his return to the presidency.

President Putin’s leadership of the United Russia electoral list means that the entire vertical power structure will be oriented toward achieving a two-thirds majority (300+ votes) in the next parliament, which would also give it the power to amend the Constitution. The monthly tracking poll conducted by the Levada Center clearly demonstrates the impact of Putin’s decision.

**From President to Party Leader – and Prime Minister?**







Speaking at the United Russia conference on October 1, President Putin followed his surprise appointment of Viktor Zubkov with another unexpected move. He agreed to head the United Russia party list in the December 2 parliamentary elections, and speculated that he could assume the post of Prime Minister after stepping down as President, if an effective and trustworthy successor is found.

Such strong institutional support could result in a radical restructuring of the State Duma. In the more extreme variant, only two parties – United Russia and the Communist Party (KPRF) – would clear the 7% threshold for parliamentary representation. United Russia might receive 60-65% of the popular vote cast by the electorate, with the KPRF potentially receiving 15-20%.

The pundit class had earlier dismissed speculation that Putin could transfer himself into the Prime Minister’s slot and continue to lead the Russian government, concluding that the unitary executive system he created would unduly limit his ability to rule. Two key changes would be required: making the Prime

When the remaining 15-25% of votes (seats) for those parties failing to surpass the 7% minimum are redistributed, United Russia could amass 350-370 seats, with 80-100 for the KPRF, thus creating a two-party system through 2011.

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Parties / Leaders	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
 United Russia (B. Gryzlov)	49	46	57	53	57	52	54	59	55	68
 Communist Party (G. Zyuganov)	19	19	15	22	18	17	19	18	18	15
 Liberal-Democratic Party of Russia (V. Zhirinovskiy)	11	12	11	10	11	9	8	7	11	6
 Fair Russia (S. Mironov)	5	8	11	6	8	7	9	9	7	5
 Yabloko (G. Yavlinsky)	4	3	3	4	1	4	5	3	2	1
 Union of Right Forces (N. Belykh)	4	3	1	2	3	2	3	1	2	1

Source: Levada Center

## From President to Party Leader – and Prime Minister? *(continued from page 3)*

In a less radical variant, United Russia would receive roughly 60% of the vote but would nevertheless attain a constitutional majority of 300-310 seats according to the proportional representation system. In this case, three other political parties – the KPRF, Fair Russia and the LDPR – would share the remaining 140-150 seats.

### Potential Scenarios

One of the intriguing questions raised by President Putin's decision to head the United Russia electoral list is the timing associated with the possibility that he might become Prime Minister. In one possible scenario, after the December 2 parliamentary elections, President Putin resigns as President and becomes Prime Minister without altering the Constitution. Current Prime Minister Viktor Zubkov would then become Acting President in the run-up to the March presidential election.

In a second scenario, victorious United Russia, having secured a constitutional majority with its leader Vladimir Putin, begins working immediately in January 2008 to transfer powers from the President to the Prime Minister. It does so by introducing amendments to the Federal Constitutional "Law on Government". Only then will a "successor" be confirmed, and President Putin would remain in office through the March election, before becoming Prime Minister with a new set of powers. This would, of course, dramatically transform the Russian political system as it has existed since October 1993. However, President Putin has said on multiple occasions – as recently as his October 18 nationwide Q&A session – that he is not in favor of systemic changes to suit one political figure or party.

In yet another scenario, Putin's premiership would be merely temporary, as he returns to the presidency after a short interval, which would require no major constitutional changes.

While one of these scenarios looked likely to materialize in the immediate aftermath of the United Russia party conference, more questions and less certainty have ensued in the past three weeks. Several influential Russian analysts do not believe that Putin will become Prime Minister; rather, they predict that both the President and the Prime Minister will be "his man," while he himself occupies a few key posts related to security and the economy and exercises informal control over dispersed centers of power.

The December parliamentary elections should serve as the next reference point for how the transfer of power will be played out. Whatever the outcome, it can be assumed that the transfer will follow the letter of the 1993 Constitution.

### What Does It All Mean?

While little can be stated for certain regarding the succession, a number of conclusions can be drawn on the basis of the past few weeks:

- President Putin has decisively demonstrated that the entire pattern for the handover of power from beginning to end will remain under his control. There will be no large-scale administrative and management campaigns to promote competing "successors," which could exacerbate inter-clan rivalries within the upper ranks of the Kremlin. Thus, Vladimir Putin will ideologically, politically, organizationally, and administratively play the role of integrator, coordinator and supreme arbitrator of the entire regime until he redistributes those responsibilities at a time of his choosing.
- Mikhail Fradkov's resignation and the government reshuffling was the first step in aligning Russia's personnel and administrative resources toward the post-elections power structure.
- The appointment of Viktor Zubkov as Prime Minister will in no way change the balance of power and influence among various Kremlin clans. Zubkov is in effect a compromise figure, acceptable to all, and therefore a guarantee that the government will remain functional through the transition period, a necessary guarantee of political stability.
- The "project successor" model, which set up a competition between Sergey Ivanov and Dmitry Medvedev as potential leaders of a post-Putin Russia, may not ultimately determine the future political landscape. Although the First Deputy Prime Ministers have remained in their posts and in the front ranks of possible Putin successors, the electoral playing field is no longer restricted to two competing candidates. Prime Minister Zubkov's use of the fight against corruption as an overriding theme for his government makes him an independent figure, and his post as head of the government is a significant platform.

## Devolution Within the Power Vertical

The surprising political moves in late September and early October increasingly indicate that the power and popularity of the Putin presidency will be divided among key political figures and institutions, resulting in a more collective governing model.

Politically, this may mean an even stronger state role compared to today, but one with a more “democratic” sharing of influence between the executive and legislative branches, albeit one dominated by United Russia. In this scenario, the anointed “successor” is less important – the role of “leaders” will be taken over by specially selected representatives of the ruling elites who will be made responsible for “policy consistency.” This group of “wise men” consists of Sergey Ivanov, Dmitry Medvedev, Viktor Zubkov, Sergey Naryshkin, Sergey Chemezov, and Vladimir Yakunin.

In terms of economic impact, this change could mean that state regulatory oversight of various sectors of the economy will transform into more rigid industrial control, led by state-formed and state-favored holdings. These include: Rosnanotechnologia (nanotech), Ros-technologia (high-tech), United Aircraft Consortium and its shipbuilding counterpart, Gazprom (natural gas), Rosneft (oil), Transneft (oil and gas transport), and a possible mineral extraction corporation formed on the basis of Alrosa and Norilsk Nickel. These holdings are already positioned to lead their industries, and they could be quickly awarded greater influence under the guise of efficiency and anti-corruption drives.

## The Zubkov Government: Preparing a Presidential Contender?

After the resignation of Prime Minister Mikhail Fradkov and his government on September 12, President Putin subsequently nominated Viktor Zubkov, Head of the Federal Financial Monitoring Service, as Russia’s new Prime Minister – and potentially the next President.

Viktor Zubkov, an associate of Putin since their days together in the international affairs department of the St. Petersburg Mayor’s Office, is known as an honest and straightforward bureaucrat with a fierce loyalty to Mr. Putin. The Cabinet that Mr. Zubkov now leads is, in many respects, a continuation of the governing team that preceded it.

Finance Minister Alexei Kudrin, the man popularly credited with enforcing Russia’s fiscal restraint and keeping both inflation and the ruble in check, was elevated to the additional post of Deputy Prime Minister, underscoring the importance of his efforts. The departure of liberal Economic Development and Trade Minister German Gref was long expected, as he had requested to step down several months ago. He has been replaced by Elvira Nabiulina, a highly regarded former deputy and colleague from the economic policy thinktank they both formerly headed. Health Minister Mikhail Zurabov, who was blamed for a number of scandals involving government procurement of medicine for large state programs, was replaced by Deputy Finance Minister Tatyana Golikova. Dmitri Kozak, former federal representative to the southern region and longtime go-to man for President Putin, took over from Vladimir Yakovlev as Minister of Regional Development. This move underscores the importance Mr. Putin places in improving infrastructure and living conditions in the regions, especially in the Sochi region in the run-up to the 2014 Olympic games.

These September Cabinet changes are evidence of the emphasis Putin assigns to effective financial management, in the same manner that Zubkov’s experience in combating money laundering and other financial crimes was a factor in his selection.

It is simply too early to tell whether Zubkov will be the favored candidate to ascend to the presidency. He could be a transitional figure during the campaign cycle, or he could emerge as President Putin’s successor and perhaps occupy the presidency until Putin can re-assume the post. As a stand-alone candidate, the fact that he is relatively unknown and considerably older than other contenders would make him a surprising choice. Mr. Zubkov’s independence from the existing Kremlin clans and his close connection to Mr. Putin indicate that he, either as President or in another capacity, will likely be entrusted by Putin to lead the government in the interim period, and reliably hand the reins back when asked.

## Viktor Alexeyevich Zubkov



Russian: Виктор  
Алексеевич Зубков

Born: September 15, 1941,  
Sverdlovsk Oblast

Viktor Zubkov attended the Leningrad Agricultural Institute, receiving a degree in 1965. After serving in the Soviet Army, in 1967 Zubkov began working in leadership positions in collective farms in the Leningrad Region, ending his tenure as General Director of the Pervomayskoye farm in 1985. From 1985 to 1991, he occupied several top Communist Party posts in Leningrad Oblast, culminating in his appointment as First Deputy Chairman of the Party's Leningrad Executive Committee in 1989.

From January 1992 through November 1993, Zubkov was Deputy Chairman of the External Relations Committee of the St. Petersburg Mayor's Office, which at that time was led by Vladimir Putin.

From November 1993 to November 1998, Zubkov served as Chief of the St. Petersburg Tax Inspectorate, and simultaneously served as a Deputy Head of the Tax Inspectorate of the Russian Federation.

In December 1998, the Primakov government reorganized the State Tax Inspection into the Tax

Ministry of Russia, and Zubkov was appointed Chief of the St. Petersburg Directorate of the Tax Ministry. In July 1999, Zubkov was appointed Deputy Tax Minister of the Russian Federation. A few days later, he was also appointed Chief of the St. Petersburg Regional Directorate of the Tax Ministry.

In August 1999, Zubkov launched his candidacy for Governor of the Leningrad Region, and his campaign manager was Boris Gryzlov, who is currently Chairman of the State Duma. Zubkov lost the election to Valery Serdyukov in September 1999, finishing in 4th place with 8.64% of the vote.

On November 5, 2001, Zubkov was appointed First Deputy Finance Minister of the Russian Federation and Chairman of the Financial Monitoring Committee, the anti-money laundering watchdog agency. He continued in this capacity after the committee was renamed the Federal Financial Monitoring Service of the Ministry of Finance (Rosfinmonitoring) in the wake of the Kasyanov government's dismissal in March 2004.

Zubkov served as Head of the Federal Financial Monitoring Service until his September 12 nomination and subsequent Duma confirmation as Prime Minister.

Viktor Zubkov is married and has one daughter, who is married to Defense Minister Anatoly Serdyukov.

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