

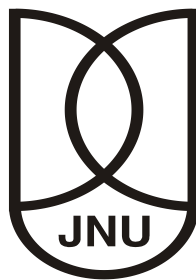
# **Asymmetrical federalism in Russia: a study of constitutional provisions and practices, 1991-2001.**

*Dissertation Submitted to Jawaharlal Nehru University in Partial Fulfillment of the  
Requirement for the Award of the Degree of*

*Master of Philosophy*

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## DECLARATION

I declare that this dissertation entitled "Asymmetrical Federalism in Russia: A Study of Constitutional Provisions and Practices, 1991- 2001" submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

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## CERTIFICATE

We recommend that this dissertation be placed before the examiners for evaluation.

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## Chapter 1

### *Asymmetrical Federalism: Theories and Features*

#### 1.1. Introduction

Geographically, Russia is the world's largest country with a land area of 17,075,200 square kilometers. It dominates northern Eurasia, stretching northwards to the Arctic Ocean, eastward to the Pacific Ocean, and westward to Central Europe and it is bordered by (among other countries), Azerbaijan, Belarus, China, Poland and Ukraine. Russia's population numbers around 145 million. Russians comprise the most numerous ethnic group (81.5 % of the population), and Russian is the predominant language. However, Russia also comprises a variety of other ethnic groups including Tatars (3.8 %), Ukrainians (3.0 %), Chuvash (1.2 %) and Baskirs (0.9 %). These groups tend to be geographically concentrated, and some groups retain their own language. The main religion is Russian orthodox, although there is a substantial Muslim population and some representation of other religions. (Salikov 2000)

Russia has not only the largest world national area, but also one of its most complex federal systems. The Russian federation combines both ethno- federalism and territorial federalism. Its 89 constituent units, typically referred to as the "subjects of federation", are divided into six different types- republics, autonomous areas, one autonomous region, territories, regions and federal cities- also the asymmetrical features of this division has been muted since the adoption of the 1993 federal Constitution. This Constitution also gives federal constitutional status to local governments. In addition, it authorizes the President of the federation to enter into treaties with the executives of the constituent units, further particularizing the allocation of power between the national government and the various subjects of the federation. Finally, in 2000, President Vladimir Putin

superimposed seven federal districts on the federal structure, each with its own presidential representative producing, including even greater complexity as well as hierarchy into Russia's federal system.

Putin's reforms highlight another key aspect of Russian Constitutionalism, namely its evolving character. The current Constitution of the Russian Federation dates from 1993, and the federal arrangements under it remain dynamic

### 1.1.1. Overview

This work will focus on the *modus operandi* of asymmetrical federalism as existing in Russia. The chapter has been divided into several sections. The first section will comprise of a brief discussion on the concept of federalism and its various types. This will also include general information of federalism in Russia. The second section will comprise of the literature overview. The relevant literary sources will be discussed which will help to establish a background on which the present research will be based. As the chapter proceeds the discussion will shift on the objective and the research questions which will form the core of entire work.

The next section of the chapter will deal with the research methodology. This section will help to understand the basic techniques and research tools which will be used to carry out the research. The chapter will finally conclude by giving a brief background of the other chapters of the current work.

Federalism is of interest for several reasons. First, a world-wide trend toward decentralization is underway, attracting considerable interest among political scientists and economists. Second, for the last three centuries, the richest nation in the world has been federal; namely, the Dutch Republic from the late sixteenth through mid-seventeenth centuries; England from the late seventeenth to the mid-nineteenth centuries (a de facto federal state); and the United States from the late nineteenth century to the present. Similarly, modern China, a de facto federal state, has also experienced sustained growth for over twenty years. In contrast, many federal states have fared much more

poorly, including India, the large Latin American federal states of Argentina, Brazil, and Mexico, and modern Russia.

Federal systems differ across a range of dimensions, depending in large part on the types of policies that are assigned the various levels of government and the types of incentives created for each level of government officials.

To develop successfully there arise the need of a system of providing incentives to public officials. Incentives are needed to ensure that bureaucrats and politicians work for the benefit of the people instead of doing nothing or using public office for private gain. The task of creating such a system of incentives for countries with vast territory and diverse population is much more complicated than for small and homogeneous states. First, in these countries, it is much more difficult, compared with small states, to define what is “good for the people.” For example, in large and heterogeneous countries, such as Russia, central authorities have much less information about the preferences of people in different parts of the country. And often, the available information is not enough for central provision of public goods to be effective. Second, central management of a large country involves a large state apparatus. Effective control of a large bureaucracy is very complicated, expensive, and not always feasible. For these reasons, authority over public goods provision should be delegated to lower level governments and hope that they will serve the interests of the local population. (Zhuravskaya 2010)

## 1.2 Federalism

Federalism is a form of government in which citizens are members of two political communities, each of which has a degree of final autonomy. While some polities are organised as federations for historical reasons, most federal systems serve significant contemporary purposes as well, actually or potentially.

It is a form of government that differs from unitary forms of government in terms of the distribution of power between central and subnational entities, the separation of powers



within the government, and the division of legislative powers between national and regional representatives. Federalism is a very familiar American concept, having been first invented in Philadelphia in the 18th century. In the United States, federalism is more than a form of government-it is a full concept of operations found abroad only in Switzerland.

There are lesser forms of federalism in other countries, and those forms can be divided into parliamentary federalism (for example, Canada), and presidential federalism (for instance, the Latin American countries). A true federation has both a distribution of political power specified in the constitution and a direct relationship between political power and the individual citizen. A new form of federalism--executive federalism--is also emerging in which major constitutional issues are decided by executives instead of by legislatures. Other emerging features include constitutionally specified representatives of local governments and three tiers of representation. Russia currently does not fit well into any existing category, with the Russian form of federalism still developing as a part of the Russian transition. (Luttwack 1999)

The unifying characteristics of federalism enable joint action, common standards and other benefits of a larger community in areas where these are considered important. The devolutionary character of a federal system can facilitate the governance of ethnically diverse peoples, extend democratic participation, adapt policy to regional needs and encourage innovation, experimentation and competition. Every federal system is structured by a central constitution which divides power, establishes central institutions, prescribes the rules for resolving disputes and provides a procedure for its own alteration. The characterisation of subnational units as political communities, however, suggests that they must have constitutions of some kind as well, although it does not necessarily prescribe the form they should take. (Saunders 1999)

Three different types of federal systems have emerged since the mid-nineteenth century. (Watts 1996) The first wave witnessed the formation of nation-states in several parts of

Europe. In the second phase new states emerged mainly in Asia owing to the decolonization in the post World War II period. In the third wave new states were created brought by the devolution in existing nation states. Multi-national states result from the incorporation of different nations with traditional homelands into a single state. Due to this they are confronted with the challenges of accommodating national minorities. Thus, the institution of asymmetrical federalism comes into play. Asymmetrical federalism has become commonly used term but its meaning is not always clear.

### 1.2.1 Asymmetric Federalism

“Asymmetric Federalism” is understood to mean federalism based on unequal powers and relationships in political, administrative and fiscal arrangements spheres between the units constituting a federation. It can be viewed in both *Asymmetrical federalism* is found in a federation in which the various constituent states possess different powers although they have the same constitutional status. (Aslund 1999) The division of powers between the sub states is not symmetric. It is frequently proposed as a solution to the satisfaction that arise when one or two constituent units feel significantly different needs from the others owing to their ethnic, linguistic or cultural differences. Asymmetrical federalism can be divided into two types of arrangements. They are

- a) the *de jure* asymmetry in which the differences in legislative powers, representations in central institutions and rights and obligations set in the constitution are resolved and
- b) the *de facto* asymmetry in which agreements coming out of national policy, bilateral and ad hoc deals that are not entrenched in the constitution with specific provinces are witnessed.

### 1.2.2. Asymmetrical Federalism in Russia: An Introduction

The Russian Federation consists of 89 federal subjects, all equal in federal matters but enjoying six different levels of autonomy. This type of federalism is based on unequal power relationships in political, administrative and fiscal arrangements between the unit's constitution and a federation. It can be viewed in both vertical (between centre and states) and horizontal (among states).

Russia today meets the classical definition of a federation by its inscription of that principle in the Constitution (as opposed to a decentralized system such as China where the center can unilaterally and legally take back powers it had once given away). But if the Constitution is amended to make governors appointed by the center rather than elected, as is being proposed by some, Russia would revert to being a unitary state.

The original version of federal asymmetry was given by Tarlton (1965) and Agrenoff (1999). Asymmetry can be defined as a feature of multinational federal systems through which the National Based Units enjoy more rights than regional based units and maintain a differentiated relationship with the centre. However several determinants (*de jure* and *de facto*) play important roles in shaping the federal structure of the state.

### 1.3. Review of Literature

Throughout the world contemporary developments in transport, social communications, technology and industrial organizations have produced pressures not only for larger states but also smaller ones. Thus, there have developed two powerful, thoroughly interdependent yet distinct and often actually opposed political motives: the desire to build effective and dynamic forms of integrated national and supranational organizations, and the research for distinctive regional and local identity. The second half of the 20<sup>th</sup> century has seen a tension between these two parallel forces producing contradictory trends in the direction of both integration and disintegration. (Watts 1981) The first priority that Russia took in the national agenda in the early years of the transition (1992-93) was to keep the nation together.

One of the most important tools used in this effort was the design of a new system of intergovernmental fiscal and power relations between the federal and the regional governments. The Russian Constitution of 1993 recognized the possibility of an asymmetric configuration between the regions and the federal government. The trademarks of the early years of Yeltsin administration were accommodation and concession depending on the overall political scenario of the regions. This scenario however changed radically with the election of Putin as president in March 2000. This popularity enabled him to limit the powers of regional governors.

The government since then has tried several reform measures in its taxation, expenditure and funding policies. After the 2000 reforms, the system has improved in transparency, objectivity and the minimization of negative incentive effects on revenue mobilization and expenditure efficiency. This kind of differentiated treatment of the regions has helped the Russian Federation to cope with such high degree of diversity.

Several books, scholarly articles and papers have been written discussing the various aspects of asymmetrical federalism in Russia as well as other countries. The main issues which directed the selection and the course of the reading are the basic understanding of the concept of asymmetric federalism, the constitutional provision for asymmetric federalism in Russia and the functioning of the same in Russia. A brief review of the articles describing the role, significance, nature and its impact on the nation as a whole has also been provided.

Each federation is unique in its combination of unitary, federal and confederal elements of symmetry and asymmetry (Heinemann-Gruder 2002).<sup>1</sup> Even if a variety of federal form exist, federal solutions are clearly distinct from unitary ones – they include non –

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1.This important distinction between federal and confederal system is seldom made. McGill political scientist, Alain-G. Gagnon applies both concepts to argue for the recognition of formal asymmetry for the Quebecois nation, either within the existing Canadian federation or between a constructed Canada/ Quebec asymmetrical binational confederation.

centralization, multilevel government, constitutionalism, powerful shared economic interest, non subordination of peoples` regional, ethnic or cultural attachment and independent firms for central and non central authorities. In the past decade a major factor in the pressure for multilevel regimes of governance has been the recognition that an increasingly global economy has unleashed powerful economic and political forces further strengthening both international and local pressures at the expense of the traditional nation-state.

All these factors have contributed to the heightened interest in forms of multi- tiered and multi-sphere political regimes as a method of organising and distributing political powers in a way that will enable the common needs of people to be achieved while accommodating the diversity of their circumstances and preferences. Such conditions lead to the formation of multi- national federation (Burgess and Pinder 2007) which aims to provide a framework that can accommodate, manage and resolve some of the most intractable political conflicts of the contemporary times that emerged from identity politics : those that stem from competing national visions, whether within or between established states.

However the use of asymmetry within the federal state has been described as dangerous and divisive while others have touted its ability to accommodate diversity and stabilize the multinational state. Funk (2010) considers both side of the argument surrounding asymmetrical federalism with special reference to the application of the asymmetrical framework in Canada<sup>2</sup> and Spain.

Russia of the early 1990s inherited a highly centralized Soviet system of intergovernmental fiscal relations, in which the center used financial transfers to the regions to maintain the integrity of the empire. These transfers were purely politically motivated and did not take into account economic considerations. Fiscal and political

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2. A critical description of the nature of federal and confederal government in Canada has been given by several political scientists. One such description can be found in (Seidle 1994).

decentralization was also driven solely by political reasons. To conduct reforms, President Yeltsin needed the support of regional leaders.

The delegation of substantial financial and political autonomy to the regions (in Yeltsin's own words "as much as regions can assume") in exchange for their loyalty was a forced political compromise that allowed liberalization and privatization. Without decentralization, through which the center bought temporary support of governors, basic liberalization reforms would have been politically infeasible.

The transfer of fiscal authority from centre to regions took the form of chaotic in formal bargaining and cash transfers became a tool in political game. (Zhuravskaya 2010) The way the USSR collapsed in 1991- the sudden and dramatic impact on the formation and subsequent evolution of the Russian Federation (Ross and Campbell 2009)<sup>3</sup>.

The problem with asymmetrical federalism in Russia is that it is largely the by-product of Yeltsin`s famous clarion call to the republics and the regions to take as much as sovereignty as they wanted. This made the entire form of federalism a problem for Russia and not whether the form of government would be presidential or parliamentarian or mixed. Russia welcomed the process of closure cooperation between various institutions of the Commonwealth of Independent States and was convinced of the need to have a CIS charter. Among the most important requisites is a constitution – elaborated either in a single document or in a series of legal enactments – that outlines the terms by which power is divided or shared between the federal governments (Mc Cabe 2002). Russia has adopted several documents that fulfill that function – the Federation Treaty of 1992, the Federation Constitution of 1993 and the bilateral treaties between the federal executives and the executive of various subjects of the Federation.

Globalization and broad societal changes have made highly centralized states less and less able to cope with demands for economic, social and cultural development (Bahry 2000). The diminished role of the central government and divergent policies across regions exerts increased centrifugal pressures on the national state. The development of “turbo-capitalism” (Luttack 1999) has generated ever greater demand for smaller, more flexible forms of corporate organization that can react quickly to rapidly changing global markets. Such constraints pose a particular dilemma for the state’s role as guarantor of social welfare. Devolution also stems from broader societal changes during the same period and the increasing trend towards individualization.

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<sup>3</sup>3. A third type of transition is underway in Russia and that is the need to configure the centre- local relation and to create a stable and viable form of federalism. Federal states are much more difficult to set up than the unitary states. The book discusses how Vladimir Putin has re-asserted the power of the centre in Russia, and tightened the federal government’s control of the regions.

As devolution and asymmetry spread globally there is a host of questions about implication for democracy, equality and national integration. Democratization is an important institutional tool for conflict management. Democracy converts conflict into consensus (Obydenkova 2005). Democratization is accompanied by numerous conflicts, among which, centre-peripheral conflict is just one form. Process of regime change intensifies the centre-peripheral conflict. The contextual conditions in the regions determine the scope of regional requirements for additional autonomy from central government (contextual factor determine asymmetry). Demands of regions depend on multitude of factors like geo-political, ethnic and economic factors. Asymmetry is the result of federal bargaining and helps in accommodating various demands of ethnical territories and the flexibility of institution is unavoidable. Counter argument to above is, federalism can be seen as “Janus faced arrangement.”

Russia’s regions differ very much from each other in their economic environment. This diversity in geography, natural resources and pattern of industrialization has led to huge income disparities across regions (Kwon and Spilimbergo 2004). More importantly the heterogeneity across regions has also increased the volatility of regional incomes, exposing regions to very large idiosyncratic economic shocks. Martinez-Vazques (2002) tries to evaluate the role, significance and effects of asymmetrical federalism in the Russian federation. One of the important factors which led to asymmetrical federalism is the high degree of diversity with respect to time zone, economic conditions, demographic composition, ethnic composition and language.

One example for the difference in time zone can be understood by taking the example of Krasnoyarsk. Krasnoyarsk is an extremely important Russian region. It is the second-largest region in Russia, is four times the size of France, is 3,000 kilometers long ranging from the Arctic to the southern border, and forms a wide belt dividing eastern and western Russia. The region is well known and well represented in Moscow and is a former major military-industrial base. Aleksandr Lebed was elected governor under an election organized under federal law to remove the residency requirements. There is a



spectrum of political parties represented in the region, but none sufficiently coherent to provide organized opposition to Lebed. Local laws on government and on impeachment provide controls on Lebed's power. (Taylor 1999)

The size of the region also presents internal governing problems. For example, the mineral-rich revenue-generating northern city of Norilsk is combined with many lesser towns up to 1,500 miles southward under a single Duma representative in Moscow. Lebed's activities inside the region are focused on trying to introduce new mechanisms designed to make Krasnoyarsk a model for all of Russia. Externally, Lebed's political party has a few active and influential political supporters in each of the other Russian regions, all promoting the possibilities for regional cooperation.

Economic disparities among the regions are exceptionally alarming with respect to the cost of living, FDI and the distribution of the natural resources which have led to the formation of two regional clubs "the haves" and "the have nots" otherwise known as the 'donor' regions and the 'subsidy' regions respectively. This disparity leads to inequitable federal taxes.

Over the last several years, the Russian Government has experienced a decline in federal tax revenues. In 1992 the federal tax revenue was about 18 percent of GDP; in 1997 it had dropped to 10.4 percent. During this same period, the revenue distribution to the regions exhibited a pattern of decentralization, followed by slight recentralization, and then more decentralization. In 1992 about 40 percent of the federal revenue was returned to the regions, increasing to 55 percent in 1993, dropping to 50 percent in 1995, and increasing again to 55 percent in 1997. In 1993-94 the regions were making greater cries for sovereignty, and the center was responding to the pressures.

It is important to note that agreements between the center and the regions have stabilized the revenue flow in the larger regions (for example, Sakhalin, Bashkortostan, and Tatarstan), but revenues have been falling in the smaller regions. The federal tax share

from 1995 to 1997 was falling the fastest in Yamalo-Nenetsk AO, Lipetsk, Taymyr AO, Karelia, Khantiy-Mansiysk AO, Vologda, Magadan, Murmansk, Vladimir, and Irkutsk.

These, for the most part, are northern regions. The center is trying to use fiscal policy to affect the regions politically and has in place a treasury system to transfer the funds; this is getting harder to do, however, because the center is collecting decreasing amounts of revenues. Another basic problem is how to get the profitable regions to subsidize the unprofitable regions. The drop in global oil prices is also factor, since this affects basic revenue flows into the oil-rich regions. (Triesman 1999)

The differentiated treatment of the regions has helped the Russian Federation to cope with such high degree of diversity. The stability of asymmetrical federal system depends on the actors like centre- regional and majority- minority divide (Zuber 2011). She takes the game theoretic approaches and expresses that a self-enforcing institution is one where each player's behavior is his best response and no incentives can deviate his behavior associated with the institution. He under his assumptions voices that there is a status of prisoner's dilemma during the game between the national majority and the national minorities.

Reforms during the 1990s in Russia entailed not only economic liberalization and democratization but also transition from a highly centralized unitary state to a highly decentralized federal state. Since the advent of Vladimir Putin's presidency, former president Boris Yeltsin's experiments with decentralization have been recognized not just as unsuccessful but also as leading to the very collapse of Russia. A consensus has emerged—among scholars, politicians, and the society at large—that the attempt to build a successful federal system in the 1990s badly failed. The new Russian leadership has been consistently taking measures since 2000 to recentralize both public finance and politics.

The Soviet state was founded as a supranational entity. Federalism was viewed as a transitional form that would, within a short period of time, transform the traditional

cultural, language, and religious identities of several scores of nations into a single and uniform Communist identity. Currently, the main questions are what foundations the renewed statehood will be built upon and whether new forms and principles can be developed for numerous ethnic groups to coexist. Bashkortostan, with 4 million people, is rich in natural resources and is second in industrial potential in the Ural economic area. In 1919, Bashkortostan was the only republic founded on the basis of a bilateral treaty. The republic negotiated a bilateral treaty with the Russian Federation in 1994.

The treaty provides for the maximum development of self-government in all elements of power. The role for the center is largely restricted to securing the unity and integrity of society, with regional governments entitled to own their material resources and to decide independently on all matters within their jurisdiction. To Bashkortostan, a treaty is a confirmation of a special legal status, sovereignty, and recognition of the right to independently solve issues related to local property, budget, legislation, judiciary system, and foreign trade ( Ilishev 2004).

Even though the best theoretical federalism for Russia is a constitutional federalism, a treaty-based federalism reflects current realities and is the only possibility for the compromises necessary to reflect individual differences between the regions. Treaty-based federalism will work until active secession becomes imminent, which is not the current case: the majority of the people in Russia want to live in Russia--their home. Baskortostan is making efforts to build a federation that would meet the interests of scores of different nations and peoples, ethnic groups, and communities within the new Russia. In fact, the Russian Federation is already functioning as an asymmetrical federation, and the only way to keep the Federation together is to ensure a constitutional recognition of its asymmetric composition.

It is also worth stressing at the outset how rarely states have disintegrated in the modern era, especially since the recent breakup of the Soviet Union, Yugoslavia, and Czechoslovakia would suggest otherwise. But the rule for the past 200 years has been that states endure while

empires collapse. The French Revolution legitimized the principle of national self-determination that eroded the foundations of the great European empires and gave birth to dozens of states. That principle lies at the heart of the post--Second World War international system, it is enshrined in the UN Charter, and it gave impetus to the decolonization of Africa and Asia. In many ways, the breakup of the Soviet Union can be viewed as the culmination of this process, particularly if Moscow's domain is considered to have included the East European satellites, as well as the constituent Soviet republics.

At the same time, the international community has defended the principles of territorial integrity and sovereignty, and the United Nations is committed to preserving the independence and unity of its members. It has devoted considerable effort to holding together failed states, such as Somalia, Sudan, Liberia, Zaire, and Cambodia. Similarly, the United States and European institutions have gone to great lengths to maintain the semblance of a unified Bosnian state, even though a cogent argument could be made for breaking it up on the grounds of national self-determination.

As a rule, states that have broken up--even if only temporarily--have done so as the result of outside intervention rather than of domestic factors. Poland, for example, was partitioned by Germany and the Soviet Union in 1939. Germany was split in two by the Western Powers and the Soviet Union after the Second World War. More recently, Bangladesh split from Pakistan in 1971 after a civil war in which it received decisive assistance from India. The breakup of Czechoslovakia is the exception, a nonviolent divorce resulting primarily from internal factors.

More to the point, the disintegration of ethnically homogenous states for domestic reasons is unheard of. The only such state that has come close to breaking up for domestic reasons in the past two centuries is the United States, where differences over states rights led to civil war. With 82 percent of its population ethnic Russian, the Russian Federation falls into this class of ethnically homogenous states. That hardly guarantees that it will not disintegrate, but

it does put the onus on those who believe it will to demonstrate why Russia should prove to be the exception to modern historical experience.

#### 1.4. Relevance and Objectives

Russian Federation is one of the major powers on the global front. Despite undergoing several reformations in its national policies in the face of different types of centrifugal forces it has sustained its position in determining the overall global scenario with respect to political, economic and other international affairs. Because of these reasons the political machinery operative in Russia has been subjected to various types of studies all over the world. The adoption of asymmetrical federalism and its future has been subjected to much debate and scrutiny. The proposed study would highlight the dimensions of such debates and analyze the future of asymmetry based on the available literary sources. The study would focus on the time period from 1991 to 2001 in which the Russian Federation was subjected to the highest degree of unstable transitional phase.

A critical aspect of political development concerns how to structure the political game so that all the players have incentives consistent with improving social welfare. These players include not only economic agents, such as enterprise managers, but also political officials and consumer/citizens.

The present section tries to establish the relevance of the present research. The section includes sub-sections dealing with the objectives of the research which have been kept in mind while undertaking the research. The research centres on a few questions answers to which are sought as the research progresses.

After the devolution of the USSR and the emergence of the Russian Federation, the latter has been continuously been exposed to several types of centrifugal forces which have

already been discussed in the previous pages. In line with this, the major objectives of the proposed study are:

- a) to develop an understanding of asymmetric federalism with respect to the Russian federation;
- b) to study the constitutional provisions that have enabled the emergence of the asymmetrical federalism in Russia,
- c) to understand the functioning of asymmetrical federalism in Russia and
- d) to analyze the future of asymmetrical federalism in Russia as per the present condition therein.

The objectives mentioned above cannot be satiated unless some questions are dealt with. The answers to these questions are very crucial for the completion of this research. An attempt has been made here to bring to fore those questions and they have been listed as under.

- Considering the turmoil filled transition that the Russian Federation was subjected to, was asymmetrical federalism the only choice?
- What were the different kinds of adjustments made to the existing constitutional framework to accommodate the new administrative machinery that is asymmetrical federalism?
- Are these adjustments capable of handling the ethno – territorial disputes that have beset the Russian Federation?
- What were the various parameters that were considered to club the various regions into groups for receiving asymmetric grants?

At this stage it becomes important to formulate a hypothesis in order to have a sound investigation of the questions. However, it is only at the end of the complete research it will be clear if the hypothesis holds ground or not. So, the hypothesis for this study is that the evolution of asymmetrical federalism in Russia is a political response to ethnic diversity, disparity in development and vast geography.

### 1.5. Research Methods

Historical method would be used to analyze the development of related incidents in the region. Longitudinal comparative study of the geo-political and security framework development in the Russian Federation region and its implication with major powers will help us to understand the mutual dependence of these groups in regard to their objectives.

The collection of data would comprise of the primary sources and the secondary sources. The speeches of \*government officials, \*documents and \*reports would comprise of the primary source. The secondary source consists of the various books and articles written on the related topic. In the former, the data related to natural resources, economic factors like FDI, Income Tax, Revenue System, ethnic configuration of the region etc.will be helpful for the study. The data acquired from UN. UNDP, and other government organizations will be essential for the study.

The analysis will be quantitative and qualitative - as per the research requirement. Both types of analysis will complement each other. Descriptive inferences will weave the events together. Causal inference is necessary to know the cause and effect of the various factors operative in the region leading to the various degrees of disparities. Thus with above two descriptions we can reach to a certain inferences on the issue of asymmetric federalism in Russia.

## 1.6. Conclusion

It is not difficult to understand why Russian elites themselves worry so much about their country's unity. Over the past decade, one key trend in Russia has been the fragmentation, devolution, decentralization, erosion, and degeneration of power, both political and economic. In part, it has been the consequence of conscious policy decisions first by Gorbachev and then by Yeltsin to modernize the Russian economy and political system by dismantling the hyper centralized Soviet state. In part, it has been an effect--and a cause--of the accelerated economic decline those policies precipitated. In part, it has been the result of global trends, especially in telecommunications and information technologies, that have tended to diffuse power worldwide. But, in larger part, it has been the byproduct of bitter inter elite rivalries and governmental disarray in Moscow, or "the Center" as it is often called, that have eroded the Centre's capacity to govern effectively and allowed regional leaders to seize greater power locally and businessmen to appropriate vast assets across Russia.

As a result, the Center no longer controls the political and economic situation. It no longer reliably wields power and authority, as it has traditionally, through the control of the institutions of coercion, the regulation of economic activity, and the ability to command the loyalty of or instill fear in the people.

In this light the present research will progress to examine the federal system as it exists in Russia. The next chapter will trace the evolution of asymmetrical federalism in Russia. It is noteworthy to mention here that Russia did not have any prior experience of federalism as with many other countries. To put in simpler words, Russia did not have any historical base for federalism before it accepted it as the method of governance. The next chapter will also make it clear that asymmetrical federalism in Russia was very much fuelled by political motives and aspiration.

The third chapter of this research will try to account for various constitutional provisions which helped in the formulation of this governmental machinery. From the time the Federal Constitution was adopted in 1993 various amendments have been undertaken to



create space for the growing demands of the regions for a better space in the federal structure. Also, the Constitution has been endowed with provisions which facilitate inequitable centre- state relation. This has resulted in dissatisfaction and lack of contentment in various regions. In the third chapter this centre- state relational disparity has been discussed at length. The last chapter will summarize the ideas presented in the entire study. It has always been debatable that Russia is on the verge of being broken down on the same lines as the Soviet Union given the present secessionist movements rampant in the country.

In the final chapter this point has been taken into consideration and an attempt has been made to analyze as to what are the strong and the weak points in favor of this argument. Let us now go to the next chapter which is basically about the development of asymmetrical federalism in Russia.

## Chapter 2

### ***EVOLUTION OF ASYMMETRICAL FEDERALISM IN RUSSIA***

*History has shown that federalism in America and Switzerland was only a transitional independence of states or cantons to their complete union. Federalism proved quite expedient as a transitional step from independence to imperialist unitarism, but it became out of date and was discarded as soon as the conditions matured for the union of the states or the cantons into a single integral state.....As in America and Switzerland, Comrade Stalin concluded, federalism in Russia is destined to serve as a means of transition- transition to the socialist unitarism of the future.*

-Pravada, April 4, 1918.

The design of the federal system has prompted a long and contentious debate in Russia since 1991. Efforts to balance central state interests with ethnic, regional and local diversity have generated a succession of different approaches, from the federal treaty in 1992, to the Constitution of 1993, to region- by- region treaties and agreements from 1994 on. The net result since the mid- 1990s has been asymmetrical federal system with substantial difference in powers across different regions to remake the system once again.

## 2.1 Introduction

Since 1990, political debate in Russia has focused on questions of federalism and the distribution of power between governmental units. Central aspects of these questions have included whether Russia should have a unitary or federative system; whether ethnically homogeneous regions such as Tatarstan and Chechnya should have special status; whether oblasts and territories will be considered as equal federal subjects; prospects of regional governmental and administrative reform; powers of the central government; the role of ethnic groups in the country's political system; budgetary federalism; and many other issues. In addition, problems have also been engendered by the central government's attempts to examine the constitutional and legal status of the national republics and autonomous districts and to unilaterally revise agreements which have been concluded since 1994 between the central government and constituent parts of the Federation.

This chapter will describe the evolution of Russia through the various phases of transition. Russia has diversity in various fronts. These diversities and disparities have driven Russia to adopt asymmetrical federalism. This chapter will study the role and significance of these factors especially ethno-political and economic factors. The chapter will be divided into four sections. The first section will discuss the various types of diversities that exist in Russia. The diversities if not handled properly may lead to the creation of a retarding force which decelerates the overall development of the country. This is what has happened to the federation that is Russia. The second section of the chapter will focus on this aspect. The third section of the chapter will trace the evolution of asymmetrical federalism in the country and to what extent the ethno-political and the economic factors have led to the rise of this type of governance. Finally the chapter will conclude by briefly summarizing the main points of the chapter.

## 2.2. Diversity in Russia

*2.2.1 Ethnic diversity in Russia:* Perhaps, it was for the first time ever, that the national movements of the three biggest nationalities of the republic (according to the 1989 census: Russians - 39.9%, Tatars, 28.4% and Bashkirs - 21%) put forward or supported candidates on the grounds of their ethnic origin. The Russian national movement put forward State Duma deputy A.N. Arinin, a well-known public figure, politician and scientist as candidate for the presidency of the Republic of Bashkortostan, an ethnic Russian. The Tatar national organizations (The Tatar Public Centre, The Azatlyk Union of Tatar Youth) supported M. Mirgazyamov, a well-known public figure, former Chairman of Bashkortostan's Council of Ministers, an ethnic Tatar.

The Bashkir national movement embodied by such influential organizations as the Executive Committee of the World Kurultai of Bashkirs, the "Urals" Bashkir People's Centre, the People's Party of Bashkortostan, the Union of Bashkir Youth and a number of others publicly proclaimed their support for President of Republic of Bashkortostan Murtaza Rakhimov, an ethnic Bashkir. The previous presidential elections, as well as the elections to the State Assembly of the Republic of Bashkortostan never saw such an obvious and downright role played by the ethnic factor in the election campaign, in the activities of the national movements and in the electoral behaviour of the republics' population. Ethnic mobilization is becoming an important, extremely complicated and multi-faceted phenomenon, an inalienable manifestation of the millennium shift, and like the "Renaissance" it happens right in front of our eyes with a sense allowing different interpretations. (Cole 2011)

It is not accidental that some authors perceive it as "concentration of all the efforts aimed at an accelerated development of indigenous and viable national culture, others as "a means of political mobilization" and the third ones combine the first and the second opinions. However, unlike the notion of Renaissance that received its conceptual contents over several centuries, the notion of ethnic mobilization has been taken place over one or two decades ethnic mobilization is being made ever more paradoxical by two modern

processes going on simultaneously and in opposite directions: globalization and individualization.

As it has been stated on more than one occasion, on the one hand, a global mentality is gaining ground due to the ubiquitous if not universal spread of similar features, standards and norms of life and initiation of common human values. On the other hand, a trend is getting ever stronger where peoples translate into reality their longing for identity through the preservation and cultivation of their individuality which sometimes leads to separation or even isolation.

The Tatarstan formulation of federalism is "strong center, strong regions." As the ethnic homeland to Russia's largest non-Russian ethnic population, Tatarstan was the first republic to lead a serious nationalist challenge to the integrity of Russia. In 1994 it was the first republic to sign a power-sharing treaty with Moscow, which became a template for center-regional agreements throughout the Federation. After 1994, Tatarstan changed its focus from increasing its political autonomy to increasing its economic autonomy, and especially to attracting investment. It passed a law allowing foreign ownership of land and tax breaks for joint ventures with foreign partners.

Tatarstan has concluded trade agreements or joint ventures with 80 countries and is one of the few Russian regions that has entered the international arms market as an independent entity outside of Russian participation. Tatarstan has also been deliberately establishing relations with the newly independent states and with the other regions within Russia. At the same time, Tatarstan would like the structure of the Russian Federation to remain just as it is and vehemently opposes a change in status or a redrawing of boundaries for any regions, including its own. Its recent political interactions with the center demonstrate steady attempts to increase or maintain its autonomy, tempered by a commitment to stay a constituent member of the Federation. (Giuliano and Small 1993)

Tatarstan continues to set trends in its economic and political relations with the center and with foreign countries by taking on responsibilities without waiting for Moscow's

permission. Tatarstan has positioned itself as a model for the other regions, and, via its actions, is defining what it means to be a successful region, creating expectations for both itself and for the other regions. Moscow is paying attention. Currently, Tatarstan has issued very strong statements concerning the possible unification of Russia and Belarus. President Shamiev has stated that, if Belarus unifies with Russia, he would take this opportunity to renegotiate the status of Tatarstan so that the republic would have equal status with Belarus. Tatarstan, therefore, continues to lead the challenge that the regions and republics represent to the federal center.

Khakasiya, with a population of 600,000, of which 11 percent are ethnic Khakass, was organized in 1930 as an autonomous oblast that was a part of Krasnoyarsk. It is a wealthy region, rich in natural resources. It contains the largest hydroelectric dam and a major aluminum plant in Russia. Khakasiya became a separate republic in 1991, leading to a period of tension with Krasnoyarsk. Because of conflicts with the central government, Khakasiya did not begin to negotiate a bilateral treaty with Moscow until 1996, eventually signing it in 1997. Its nationalist movement has never been very strong, even though in 1998 the government announced that all schools would teach the Khakass language. Khakasiya has always seen itself as a constituent part of Russia: its Constitution does not even mention the republic as a state within Russia, instead referring to itself as a subject of the Russian Federation. (Gorenburg 2006, Harzl 2012)

One key impact of Khakasiya on the structure of federalism came from its precipitation, as a result of the registration of Aleksey Lebed as a candidate for governor, of a decision as to whether the federal government had authority over local election laws. Lebed did not meet the seven-year residency requirement. In June 1997, the RF Constitutional Court ruled that local residency requirements over one year were unconstitutional, setting the stage for the eventual Lebed victory. The relationship between Khakasiya and Krasnoyarsk has smoothed since the election of the Lebed brothers as governors of the two regions. Khakasiya also has taken active part in cooperative agreements among Turkic republics, although limited by not being Muslim. At the same time, Aleksey

Lebed recently instigated a tax revolt against Moscow, declaring after the financial crisis in August 1998 that Khakasiya would cease transferring funds to the federal budget. (Marsh 2002, Marsh & Govsdev 2002) Khakasiyan attitudes suggest that the formal disintegration of Russia is not likely but also that a continued process, and eventual institutionalization, of decentralization is needed as a road to stability.

### 2.2.2 *Socio- cultural diversity:*

According to the 1989 census, there are about 129 million Russians and about 28 million non-Russians in the Russian Federation. However, dominating in the consciousness of the ruling political elite is an orientation towards an ethnic Russian state. The present-day ideologues of state development in Russia proclaim federalism of a eurocentrist and North-American type as an unquestionable example in nationalities policies. (Khakimov-Kazan 2001). They also associate the regional separatism that became more active over the recent decade, with the fact that in the Russian Federation there are national-territorial entities with a status different from that of regions and territories.

They view those differences as pre-requisites for regional and national dissociation and propose that they should be done away with by removing the ethnic factor from the country's administrative and territorial structure. A peculiar feature of federal relations in Russia is the fact that along with regions that still have not been established and have not become subjects of history, there are peoples who had become subjects of history a long time ago. And they are not just ordinary peoples, they are indigenous peoples who had their own statehood in the past and are claiming to restore it at present. (Gdaniec 2010)

In other words, we have to have a clear understanding that the Russian Federation-Russia is a historic successor of all the states and state entities that had taken place on its territory, i.e. the Ancient Turcic and Khazar Kaganates, the Golden Horde and a number of khanates, and not only the Romanovs' Empire and RSFSR.

And as such, the Russian Federation is a national heart, the national centre of the Russian people (which will remove demands to “cut out” a Russian republic within the Russian Federation), as well as of all the peoples of the Russian Federation, and not only those having their “title” republic but also all those historically living within the present borders of the Russian Federation if they have no national statehood outside the Russian Federation. Hence, peoples in the Russian Federation are not migrants but competent state-forming subjects and subjects of history. (Brovkin 1998)

### 2.2.3 *Linguistic diversity*

The language, and especially the choice and use of languages in a multiethnic society, and, first of all, in Russian republics that are filling their constitutional sovereignty with real contents, acquires a paramount political significance. Moreover, serious experience is accumulated in understanding that a significant part is played by the language in shifting ethnicity from the sphere of material culture to the sphere of consciousness, self-consciousness and spiritual culture, and further – to the sphere of politics and law.

The linguistic planning and linguistic policies, especially in fostering the official bilingualism are, in a way, a continuation of nationalities policies, where they have traditionally belonged. In the republics of the Russian Federation headed by ethnic presidents, and sometimes by informal ethnic leaders, the language elevated to the status of a state language, becomes an efficient tool for implementing such personnel policies that result in neo-indigenization of organs of state power. (Gdaniec 2010)

In many republics of the Russian Federation, nationalism, mobilized linguistics and mass media are becoming a powerful factor in technologies of political struggle and make a considerable impact on election returns, as well as on excessive indigenization of bodies of power. A total control over mass media, shifting the accent from the Russian language to the language of the title nationality allow republican authorities, especially ethnic presidents and elites to deny access to TV, radio and the press to undesirable people, first



of all, to specialists who do not belong to the title nationality and do not know the language of the title nationality.

The question of inequality across regions is similarly complex. By definition, the provision of asymmetrical powers to regions and localities means that regional policies should differ, reflecting varied preferences for public goods and services. The problem, of course, is that regional preferences and regional economic and fiscal resources are often mismatched. Levels of economic development and corresponding revenue bases vary; as does economic profile (e.g., between “rustbelt” versus “sunbelt” regions).

To add to the complexity, central government’s capacity to reduce these differences by traditional methods has grown more difficult, due to the trends outlined above. As Keating (1999) notes, federal- level governments have experienced a striking loss of capacity to forge territorial economic compromises by traditional means: “Diversionary [i.e., redistributive] regional policy measures...are much more difficult to implement in a globalized economy because firms have a wide choice of location outside the boundaries of the state.” Thus old strategies for regional protection, such as tariffs, diversionary regional policies, and state- directed investments strategies no longer prove as feasible or effective. (Keating 1999)

### 2.3 Adversities of the Diversities and Disparities

The history of Russian federalism is relatively short. Two attempts to hammer out a federal system were tantamount to emergency landing maneuvers. The first one took place in 1917-1922 and culminated in a de facto restoration of unitary rule. The second attempt started in the 1990s and it risks sharing the fate of the previous attempt, despite the fact that the effective Constitution proclaims the principle of federalism. Sadly enough, that principle got there as a fragment of the Soviet heritage, not as a product of Russia’s new self-determination.

The Soviet federation once in the past turned out the only type of state structure that proved capable of stopping the country's disintegration and channeling the energies of the former ethnic provinces into revolution at the same time. However, the "right to self-determination up to secession" embedded in that structure and a rather arbitrary selection of the so-called 'titular nations' predestined problems for territorial integrity. (Stepan 1999a, 1999b)

The two-tier system of Soviet federalism – the constituent 'union republics' and the autonomies subordinate to them – also contained logical flaws. It was believed that "historical progress" had driven the 15 titular nations to a level worthy of statehood, even though they were still inside the Soviet Union, while several dozen ethnic groups chosen as 'titular nationalities' for the autonomies had not reached it yet. As expected, the junior ones grew up and loudly claimed their rights in the late 1980s and early 1990s. Their claims unleashed a 'parade of sovereignties' in Russia that brought into existence what can be seen as the second edition of federalism.

The Soviet federation had one more major problem – the divided ethnic self-identification of citizens. In spite of the broad propaganda of internationalism, the Communist leadership attached significance to the ethnic identity or even exclusiveness of titular nations, fleshing these categories out with formal and juridical notions. Meanwhile, the 'multi-ethnic community of the Soviet people' remained a notional bubble. (Schleifman 1998)

The multi-ethnic Soviet Union failed to become a melting pot or a new historic union of Soviet people, and that is why it was fairly easy for the republics to leave the Soviet Union in the last decade of the 20th century. The Soviet Union failed both in Cold War battles and in its attempts to set up a civic society. When the critical moment came, it turned out to be a territory with a population lacking any civic feeling. Russia is facing a similar problem today.

The regional disparities in Russia are increasing since transition started in the 1990s, as result of the structural processes of reorganization and reallocations of resources taking place in the territory. The scopes of this contribution are two folds: to clarify the theoretical and policy background in analysing regional development in the transition and in particular in Russia, and to analyse the specificity of the spatial development and the regional disparities patterns in Russia.

The economic geography is recognised among the different theories, very useful for helping to understand in particular the recent phenomena of new concentration pattern in Russia, giving a key of analysis of new polarisation trends: new trends toward urban concentrations in the Western regions de-population of the Eastern regions, rural decline in those regions faraway from large urban agglomerations. In fact the empirical analysis indicates two dominant phenomena in the up-surgings of regional disparities: the increasing weight of the capital city, Moscow as agglomeration effects brings the polarisation phenomena; and the strengthening of the natural resources and energy endowed regions. (Stepan 2000, 2001)

Bradshaw and Prendergrast (2005, pp. 88-89) note that during 1991–1998 the “inherited economic structure was one of the most important factors explaining the relative degree of regional economic decline. . . . ‘Regions with the right industries did better than regions with the wrong [ones]’ . . . resource . . . regions weathered the recession the best, while regions specializing in manufacturing and light industry . . . experienced significant decline.” By contrast, the period starting with 1999 saw the emergence of new centers of market-oriented recovery, even though the resource sector remained the engine of the economy. In fact, the authors observe a “surprising continuity” in resource exports of the 1990s with those during the Soviet period, while distinguishing the present resource dependence as a classic “resource curse” that allows the postponement of painful economic adjustment and reforms.

There is the question whether Russia, at this stage of development, can pursue an active regional policy toward equity targets or whether, for the target of sustaining macro-economic growth, there is the urgency to keep selected priorities based on the best performing poles. A difficult balance between the two targets would be the most suitable answer.

Regional disparity can play two roles: positive and negative. From the one hand, it may become a catalyst for economic growth when the investing capital flows from the wealthy territories to poorer regions reducing business expenses on labour and spreading the market. These processes make a contribution to optimal distribution of economic resources, economically balanced territory development, forming a common market zone in the country. Thus, we deal here with the tight bonds of regions-investors with region-recipients.(Remington2011)

From the other hand, there may be situations when regional economic misbalance becomes an impediment for investing capital movements and favors its concentration in wealthy territories of the country. In this case the regions-investors become recipients acting as a magnet for the financial and human resources of the country and regional economic inequality soars through the time. Going further we get the economically and socially depressed lands and the poorer they are the lower chances for resolving the issue.

So, if the free market does not succeed in balanced territory development the central government should intervene. Worth noting that the redundant regional disparity is not the only reason prevented free cross-regional capital flows. The hampers can be in economic bubbles in wealthy regional markets, market agents' expectations, politic preferences, administrative barriers. Anyway, the level of regional economic disparity takes a position of a separate factor of country economic growth. (Kwon & Spilimbergo 2005)

Two decades of transition in the former USSR countries and Central and East European countries show the more and more diversity rather than similarity in the development of economies, market institutions and democracies. The common Egalitarian, totalitarian

past have changed for different models of inequality and democracy. The analysis of the situation at start, possible path of changes was marked quite symbolically by the subtitle of the work of Adam Przeworski – “political and economic reforms in Eastern and Latin America”. Since that time the path of two dozen countries led them in different directions – it is time to discuss why it was happening and what economic and social factors led to the so visible disconcert. We are not trying to cover a vast space of former socialist area now, but focusing on the specific path of Russia.

The main cause of the disparities is the fact that economic growth has been increasingly concentrated in a handful of regions. Foreign direct investment has also been concentrated in even smaller regions. During 90s the post-socialist countries tried to build market and democratic institutions. It was supposed to be reached by forming of middle classes, democratic institutes and elites. However, in XXI century it became obvious that countries of Central and Eastern Europe and Russia chose different ways of democracy development. As one author formerly noted – Russia went by not a European but by a Latin American model. In fact even building of an overall dominant party “Unity of Russia” reminds of “Mexican” political traditions – all fractions inside one super construction. (Dabla- Norris & Webber 2001; Remington 2011)

At the start of reforms Russia had certain features different to other countries. Few factors ignited the deviation at the early crossroad point. The nature of the fast privatization of soviet assets was the factor one. Expectedly the speed for privatization was a result of the general desire of reformers to reach a point of no return to communism. In a way it helped to very different elements to secure control on the vast property. In this fast and hectic process the interests of proto middle strata were lost. Rules were not securing any shareholding for intellectuals or clerks. High concentration of the Soviet assets on the enterprise level helped to the huge concentration of wealth. Mass ownership was promised, voucher privatization imitated transparency, but outcome was very narrow concentration of control, mass shareholding had not been so far reached.

In the context of deep inequality, the establishment of democracy and economic development of the country are impossible. During the last decade economic growth in Russia has been carried out mainly due to the increase in oil revenues. It is the increase in raw material prices that created a semblance of stability in the country and, in its turn, discouraged political elites to carry out an effective social and economic policy. Instability of income, in its turn, prevented the implementation of long-term economic and social reforms. Most of the reforms, particularly in the field of social policy, had a mostly demonstrative character. Corruption at all levels of government, increased and struggle for power among different interest groups leave their mark on policy reforms. The same problem is typical for Russia.

In the context of etacratism<sup>4</sup> inherited from the Soviet times the state policy is mainly aimed at implementing the interests of political and financial elite that are closer to the government. And the reason of it should be sought not only in the absence of freedom of speech and underdevelopment of civil society institutions, but in the lack of relevant experience of respecting the public interests. During the years of the Soviet past the practice of centralized decision-making and country governance was established. Russia and Russian problems are mostly being studied in the global context, energy of geopolitics. Issues and problems of Russian democracy are mostly considered as elite problem: persons in leadership, quality of élite, weakness of the civil society, political parties et cetera.

There is a fundamental question if the country with Latin American level of GDP per capita and with Latin American income inequality to have a democracy of the European quality and stability. First, we suppose there is no “GDP-income” simplistic determination of democracy. Second, Russian path in last two decades was seriously damaging for the Middle class financial independence and sustainability as a backbone for civil society. Third, “oil income” gives to a state (and elite) some degree of independence from taxes of citizens and businesses. Oil rent goes for supporting the

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<sup>4</sup> Current Politics and Economics of Russia: Volume 2.

Poor, not to post-industrial development with strengthening of the middle class. (Remington 2011)

Russia still retains a huge (but endangered) human capital for development and for democracy. Essentially, Russia is not a Latin American country per se, but it is rather far from Central and East Europe in terms of the development and inequality, and may be continues to deviate further. Its democratic institutions are under stress and the path toward the European democracy will be difficult and very specific. Russian state has some degree of independence from taxpayers, and elites are still struggling with the essence of modernization concepts.

### 2.3.1 Evolution of Asymmetrical Federalism: the Role of Ethno- political and Economic Factors

Since the 1950s, ethno- political conflict has grown as a source of concern in the international arena. It culminated after the cold war with the eruption of conflict in the former Soviet Union and Yugoslavia. A number of conflicts also broke out between ethnically defined social groups in Africa and south Asia, in the post - communist states of Eastern Europe and Eurasia, as well as in Western Europe. The reigning assumption that ethnic conflict was a vestige of the primitive past was revised and eventually abandoned, particularly in view of the spread of ethnic conflict to less developed regions. This led to increased media coverage and public awareness of ethnic issues; more importantly, academic research on ethnic conflict and its resolution mushroomed.

Advocates of ethno- federalism argue that autonomy solutions are effective conflict-resolving mechanisms and that further federalization of multiethnic states along ethnic lines will help prevent ethnic conflict. In some of the literature, ethno- federalism has been characterized as what David Meyer terms a "cure-all prescription" for ethnic tensions. There is, however, considerable reason to argue that the institution of territorial

autonomy may be conducive not to interethnic peace and cooperation but rather may foster ethnic mobilization, increased secessionism, and even armed conflict.

Whereas the merits of federalism were widely lauded in the literature from the 1960s to 1990, developments since then has generated doubt that ethno- federal solutions can effectively prevent ethnic conflict. Several researchers have noted--usually in passing--how federal structures may be counterproductive under certain circumstances. Yet no systematic inquiry has been made into how and why federal structures, designed to mitigate centrifugal forces, instead may end up strengthening them. This article outlines a rudimentary theoretical framework that may explain why ethno- federal constructs, specifically territorial autonomy, may cause rather than prevent conflict. (Pascal 2003)

After presenting the logical case against territorial autonomy, the specific case of the South Caucasus and in particular the post-1991 developments in the Republic of Georgia will be analyzed. Georgia contains five compactly settled minorities, three of which were autonomous at independence; it presents an opportunity to compare developments among minorities with different status. Moreover, given Georgia's small size, the similarities in political development at the central level and its effect on minorities, and an analogous international context, the five cases are comparable.

Bradshaw's and Prendergrast's imaginative treatment of the political dimension focuses on regionalism and ethnic considerations. They highlight the insufficient development of civic identity and the fact that "identity conceptions operate at various scales," all having an "integral territorial dimension" (Bradshaw and Prendergrast 2005, p. 98). They analyze how the constitutional and economic asymmetries have weakened state cohesion, with Yeltsin buying off loyalty with bilateral treaties, budgetary concessions, and subsidies. By contrast, as the authors note, Putin "has moved against both formal and informal asymmetries, but most notably against those republics that were powerful under Yeltsin, retracting many accrued advantages by insisting on legal harmonization and retaking control of the fiscal purse strings . . ." (Bradshaw and Prendergrast 2005).



The history of the Russian state gives us absolutely no reason to believe that it has a federative nature. Both the Moscow kingdom and the Saint Petersburg Empire were founded not by the unification of territories of equal status but through the voluntary or forceful incorporation of external lands into a pre-existing state, with territories so incorporated losing all attributes of statehood in the vast majority of cases.

Tsarist Russia was an extremely centralized empire with a highly unified system of governance at the centre which nevertheless allowed certain peculiarities of governance on its outskirts (i.e., in Poland, Finland and the Bukhara emirate). Despite the existence of formal characteristics of a federal system such as the presence of quasi-state institutions in the territories, a bicameral parliament with certain representation norms for national republics, et cetera, in practice, the Soviet Union did not act as a federal system. In reality, it was characterized by an extremely high level of concentration of authority and a rigidly hierarchical structure of governance. (Khakimov- Kazan 2002)

Russia has been struggling to come to terms with the ethno-federal structure it inherited from the USSR. Central and regional political actors have sought to restructure federal relations in a way that marks a break from the pseudo-federalism of the past, and both the 1992 Federation Treaty and the 1993 Constitution of the Russian Federation declared the establishment of a “federal democracy” This article investigates the process of refederalization by examining debates over the idea of federalism in Russia. Despite an initial wide-ranging discussion, federalism is increasingly seen in strategic terms by political elites. The federal system is asymmetrical and bureaucratic, and it is based on a series of treaties between the center and constituent units, rather than on an effective constitution that binds the center and regions together.

An appropriately structured federal system seems well suited for a country as large and diverse as Russia. The wide range of circumstances across eleven time zones and two continents implies significant gains from the political freedom to tailor policy to local conditions over a one-size-fits-all policy from Moscow. Reflecting on Russia’s size and diversity, the OECD (2000,113) concludes that “a fiscal federalist system that delegates a

larger share of responsibility to lower levels of government has become the only feasible option.”

Perhaps the most significant characteristic of federalism, Russian style, is the striking lack of cooperation between centre and regions (de Figueiredo & Weingast 2002). Although Yeltsin once proclaimed that he would give the regions all the freedom they could stand, in reality, the centre has tried to exert its control over the regional governments. This control includes attempts by the centre to mandate expenditures, limit the regions’ policy flexibility, and to constrain the regions’ authority to tax. Regions also face a major imbalance between their expenditure responsibilities and their resources. Revenue sharing also appears to exhibit a ratchet effect, so that regions that increase their revenue are likely to see their transfers decline.

This system also produced in the mid-1990s an “asymmetric” federalism in which those regions with the greatest ability to make trouble for Moscow received the best fiscal deals (Solnick 1995, Treisman 1999). In the short-run, this pattern of bargaining kept the federation together. In the long-run, it exacerbated non-cooperation. As Shleifer (1997,403-04) concludes, “the regions that get the most revenue are the ones that create trouble for Moscow: they have strikes, labour unrest, and separatist movements... [*Peace and prosperity in a region do not, evidently, increase the resources of the local government...*”]<sup>5</sup>

The Russian Constitution grants many exclusive powers to the federal government (Article 71). The Constitution designates most of the remaining powers as shared (Article 72). In combination, these articles leave little within the exclusive purview of the sub-

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<sup>5</sup> Shleifer and Treisman (2000, 110) echo this observation: “The years 1992 to 1994 saw an increase in [Russian] federal budget transfers to regional governments (from 1.7 to 3.8 percent of GDP) and a decentralization of tax revenues (from 54 percent federal to 47 percent federal as the center reluctantly accepted lower payments from the most separatist republics. In essence, the federal government appeased regions that threatened political or economic stability—by declaring sovereignty, staging strikes, or voting for the opposition in elections—by allocating them larger transfers or tolerating their tax withholding.”

national governments. Further, the constitution allows the president to suspend local laws for various reasons.

When one studies carefully the advent of the federal system of governance in Russia, one can easily distinguish several reasons which led to its start and that also on a not so healthy note. Apart from those that have been mentioned previously there are other underlying problems which marred the nascent federation.

One such problem reflects the centre's inability to enforce its rules, which has allowed an informal system of autonomy by which sub-national governments skirt the rules. This autonomy does not arise through a logical design that assigns particular policies to the most appropriate level of governmental. Instead, autonomy arises because a region can make trouble for Moscow or because the sub-national government can effectively hide revenue and expenditures from the centre. This system is highly inefficient and typically involves high transactions costs.

This problem has bothered many observers in Russia, as in other transitional countries, that there has been the apparently poor quality of many sub-national administrations. While there is often good reason for such concern, to a considerable extent countries get the sub-national governments they want, and deserve. Sub-national politicians and officials, like those at the central government level, respond to the incentives with which they are faced. If those incentives discourage initiative and reward inefficiency and even corruption, it should be no surprise to find corrupt and inefficient local governments. The appropriate response is to adjust the formal and latent incentive structures affecting local (and central) decision-makers to make it possible and attractive for honest, well-trained people to make a career in local government.

Given appropriate incentives -- in terms of heightened expectations of improved services from their constituents and access to resources for which they are politically responsible

– even very small local governments in poor developing countries have demonstrated significant improvements in administrative capacity within a relatively short time (Fiszbein 2000). With the much higher educational levels and human resources of Russia, similar results should, in principle, be within reach there also – if conditions are right, which they obviously have not been up to now in many cases. Russia faces one more problem and that is in the field of international trade. (Stepan 1999a, 1999b)

But before going into that let us first look into Russia's interregional trade. Interregional trade and factor mobility are also encumbered by the limited ability of firms to make long-term contracts without extraction by local governments. Similarly all levels of government lack the ability to commit credibly to honouring deals with firms for investment.

The risk of ex post expropriation is a major hindrance on new investment, especially investment across jurisdictional lines. These distortionary incentives combine with problems inherited from the Soviet era, such as a pattern of firm location following the illogic of socialist planning and an antiquated transportation system. In combination, these factors imply significant encumbrances on capital mobility and hence the exploitation of gains from exchange across jurisdictions. Fragile democratic institutions at the local level made regional governments in Russia easily susceptible to “capture”<sup>6</sup> by new wealth. Politically powerful firms influenced the rules of the game in the economy: They prevented competition by hindering development of businesses and changed the direction and speed of economic reforms. (Zhuravskaya 2010) The 1999 Business Environment and Enterprise Performance Survey<sup>7</sup> confirmed that state capture was deeply rooted in economic and political processes of the country: In the composite index of state capture among transition countries, Russia ranked fourth.

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6. A theoretical model of state capture has been developed by Konstantin Sonnin in “ Why the Rich may Favor Poor Protection of Property Rights?”, *Journal of Comparative Economics*:31, no.4 (2003): 715- 31.

7. European Bank for Reconstruction and Development (EBRD) and World Bank, Business Environment and Enterprise Performance Survey (BEEPS), [www.Worldbank.org](http://www.Worldbank.org).

First, without a strong, functioning, and real opposition and free media, the federal center will not be able to pursue efficient policies, unless one hopes for a miracle. The fact that such a miracle is happening in China is not a guarantee that it can happen on Russian soil. The transition process of the last 20 years has clearly demonstrated that transplants do not take root without special conditions, and Russia has clearly violated these conditions. Second, federalism combined with the absence of elections at the local level can potentially work only when the policy is designed solely to deliver economic growth and is not aimed at providing public goods, such as quality education, healthcare, and social protection.

Such a one-sided goal is politically feasible only in poor countries, but Russia is in the higher middle-income group. Third, an alternative to Putin's centralization exists, but it entails a complete change of the political system. Obviously it is not easy to implement and obviously current leadership does not have an interest in trying to do so, but if implemented, it can achieve the balance between political centralization and local accountability necessary for effective federalism. (Stepan 1999a, 1999b; Remington 2011)

### 2.3.2 *Ethno-federalism in Russia*

The comparability of the nine cases in the brief survey of Armenia, Azerbaijan, and Georgia is hampered by the divergent political and economic developments in these three countries. General governmental policies, turmoil at the central level, and the foreign relations of any individual state may have affected its policies toward minorities. While a detailed study of all nine cases is beyond the scope of this article, it is both expedient and useful to focus on Georgia, which displays the full range of variations found in this study. Georgia still includes five compactly settled minorities; the Avars, South Ossetians, and

Abkhazians have held autonomous areas since the 1920s, whereas the Armenians and Azeris have never had any autonomy.

The following analysis will cover events from 1987--when the first movements toward dissociation with the Soviet Union emerged in Georgia--to 2000. During this period, armed conflict occurred in Abkhazia and South Ossetia. Ajaria has maintained a high level of autonomy, involving a sometimes high level of *political* but not *armed* conflict with the government of Georgia. The Armenian minority in the Javakheti region has occasionally expressed dissatisfaction with its situation, but has not seen any major ethnic mobilization. Finally, the Azeri minority has been almost completely quiet during this period.

The conflict in Abkhazia occurred against all odds. In 1989, the ethnic Abkhaz formed only 17 percent of the ASSR population of half a million, while Georgians accounted for 45 percent, Armenians 14 percent and Russians 12 percent. Interethnic tensions had erupted briefly in 1978 and 1988 but remained limited. (Lukic & Lynch 1996)

In June 1989, however, ethnic clashes in the capital Sukhumi left a dozen dead and hundreds wounded. Despite these incidents, Abkhazia was relatively calm during the rule of the nationalist politician Zviad Gamsakhurdia in 1990-92, whereas all other minorities in Georgia--including the Ossetians, Armenians, Ajars, and Azeris--had uneasy relations with the center. It was *after* Gamsakhurdia's fall from power in early 1992 that tensions began heating up between Tbilisi and Sukhumi.

The chance of South Ossetia seceding from Georgia was initially not much greater than Abkhazia's. While ethnic Ossetians, unlike the Abkhaz, did form a majority (of just over two-thirds) of their autonomous region's population in 1989, their numbers were diminutive--roughly sixty-seven thousand out of a population of only ninety-eight thousand. However, almost a hundred thousand Ossetians lived scattered in other regions

of Georgia. Like the Abkhaz, South Ossetians were a comparatively small minority within Georgia, but they also had ethnic brethren in the North Caucasus--the Autonomous Republic of North Ossetia in Russia. A November 1988 law strengthening the position of the Georgian language in South Ossetia led to disturbances the following year. (Lukic & Lynch 1996; Graney 2010)

This was the first step in what has been termed a "war of laws," which began in earnest in the fall of 1989. With perestroika, an Ossetian popular front called Ademon Nykhas emerged, and in spring 1989 it addressed an open letter to the Abkhaz people, supporting their secessionist claims. Isolated instances of violence started occurring in South Ossetia, and guerrilla attacks by both Ossetian and Georgian armed bands were reported throughout the summer.

Because of the vast size and economic and ethnic diversity, Russia cannot be managed efficiently from the center as a corporation in contrast to, for example, Belarus, Mongolia, or Lithuania. The Soviet ethnofederal model<sup>8</sup> has varied over time and space in complex ways. The most important variable is the extent to which the formal autonomy of ethnic territories has been filled with real content. In the 1920s the administration of AETs (Autonomous Ethnic Territories) was largely entrusted to indigenous Bolshevik elites (where such elites existed) who were allowed considerable autonomy. (Ross & Campbell 2009)

Under Stalin many members of these elites were repressed as "bourgeois nationalists" and the real autonomy of AETs was restricted almost to vanishing point. The post-Stalin period saw the gradual emergence of new indigenous elites and a concomitant expansion of autonomy. Gorbachev's reform of the Soviet system led to acceleration of this trend,

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8. A discussion on Putin's administrative efforts to reduce federalism in Russia can be found in the research articles of Stephen Shenfield who has done his research in partnership with the Circassian Research Group.

with many AETs claiming “sovereignty” (which meant something less than complete independence, though not much less).

The process of autonomization reached its peak under Yeltsin in the early 1990s, when many AETs were able to negotiate special relations with the federal government that were embodied in “federal treaties.” In the 2000s, Putin has put the process into reverse and reduced the real autonomy of AETs to the lowest level since Stalin. Nevertheless, the ethnofederal model has not been formally abolished. (Ross & Campbell 2009; Sakwa 2008)

#### 2.4 Conclusion

Ever since the demise of the Soviet Union, Russians and foreign observers have debated whether Russia itself would eventually break up. The debate has ebbed and flowed with the intensity of the political struggle in Moscow. There is logic to this: disarray in Moscow has allowed the more ambitious regional leaders to seize more power locally while compelling the more timid to assume more responsibility as a matter of survival. The debate reemerged with renewed intensity in the wake of the financial meltdown, and ensuing economic and political turmoil, of this past August. Regional leaders acted unilaterally in setting price controls and forbidding the export of certain products, primarily foodstuffs, from their regions. Some spoke of creating local currencies or gold reserves. Yevgeniy Primakov, at the time of his confirmation as Prime Minister in September, warned that there was a growing danger of Russia’s splitting up and vowed to take tough steps to avert it. Whether he was exaggerating for political effect is an open question. (Taylor, 2011)

Be that as it may, a review of fundamental conditions and trends suggests that Russia is unlikely to break up in the next decade, even though the state will remain weak or grow weaker. There are numerous factors--economic, social, and political--that tend to unify



the country, and there are no outside powers now prepared to exploit Russia's strategic weakness for territorial aggrandizement, nor are any likely to emerge soon. The real issue is how power will be distributed within Russia and the implications of that distribution for Russia's ability to govern itself effectively and to project power abroad.

The development of this very pessimistic scenario can only be prevented by removing ethnic and religious barriers inside the community of all Russian citizens. The situation is not altogether unpromising. Opinion polls indicate that the word 'Rossiyanin' [a person identifying himself with Russia as a country rather than with Russian ethnicity; used emphatically at the beginning of the 19th century, but introduced into broad everyday use during Boris Yeltsin's presidency] is not associated with the unpopular President Yeltsin anymore. This means that the country called the Russian Federation is gradually winning recognition among its own citizens. The latter fact has a much greater importance than the artificial climate of interrelations inside elites, however strong their illusions might be about their exclusive right to shape political reality.

Whether centralized or not, fiscal transparency is fundamental to sound public policy. Such transparency is needed not only to improve the working of the executive and legislative branches of government but also to improve the level of public discussion and understanding of policy issues. The capacity to accept and absorb policy change in the public at large needs to be strengthened in countries such as Russia in which people have already suffered much from change but do not as yet seem to have absorbed such basic lessons of economics as that one cannot get something for nothing and that change is not inevitably a zero-sum game. In general, the more open and transparent the public policy process, the more likely are policy decisions to be grounded in fact rather than fantasy, and the more policy outcomes should coincide with stated policy intentions.

The destiny of the Eurasian "Heartland" has been inextricably linked to outside centers of political and economic power. Since the conquest of the Volga khanates and the crossing of the Urals, that fate has been political subordination. Lobbying by commercial and

regional interests did have an impact on imperial responses before the Revolution. While the former ceased during the Soviet era, provincial and sectoral (ministerial) lobbying remained influential until that communist country's dissolution, and helped shape its industrial structure and the distribution of population.

Asymmetry and devolution have become facts of life in both federal and unitary systems over the past 25 years. The aim here has been to demonstrate that these are the result of broader global trends in economies, society and politics. They suggest increasing limits on the economic effectiveness of centralized states. However, whether regions actually benefit from these changes depends on how governments at the grassroots adapt to the global market and to commonly accept democratic rules of the game.

Ultimately, however, "regional viewpoints and the viewpoints of sectors which contribute[d] little to economic and military strength were subordinated" (North 1979, p. 236). Since the disintegration of the Soviet Union, specific center-periphery relations in the Trans-Ural Heartland have played out on a much larger canvas. A series of momentous changes are affecting the future prospects of the major sub regions of the vast Trans-Ural expanse, and by clear extension, of Russia as a whole.

This chapter was an attempt to trace the origin of asymmetrical federalism in Russia. The chapter also dealt with various issues which led to the adoption of asymmetrical federalism. The country is beset with various types of diversities and disparities. These disparities lead to dissatisfaction among the common mass because the government has to adopt inequitable measures in order to cater to the varying demands of the regions. In the next chapter we will get to know the constitutional provisions which facilitate the government to adhere to the present form of government. The third chapter is all about the constitutional provisions which facilitated the adoption of asymmetrical federalism in Russia in 1993.

## CHAPTER 3

### *Asymmetrical Federalism in Russia: Constitutional Provisions*

#### 3.1 Introduction

The history of Russia leaves a trace on all public processes, including the state structure. The peoples and territories, which have joined Russia, have not disappeared anywhere and have not dissolved. On the contrary, having maintained their culture, language and religion, they experience a period of revival today and openly put forward their demands to the state which should not only take them into account, but also assist the development of these peoples. At the same time the share of the non-Russian peoples in the general structure of the country's population is not a determinative, as they live compactly on their historically native land, they are not national minorities, but native born ethnos with the appropriate claims on the control of their own territory. It is one of the main reasons of the asymmetry of Federation in Russia. (Khakimov- kazan 2001) But before jumping to asymmetrical federalism in Russia let us begin with an overview on the development of federalism in the country.

Federalism is a form of government in which citizens are members of two political communities each of which has a degree of final autonomy. Every federal system is structured by a central constitution which divides power, establishes central institutions, prescribes the rules for resolving disputes and provides a procedure for its own alteration. The characterization of subnational units as political communities, however, suggests that they must have constitutions of some kind as well, although it does not necessarily prescribe the form they should take. (Saunders 1991).

Since 1990, political debate in Russia has focused on questions of federalism and the distribution of power between governmental units. Central aspects of these questions have included whether Russia should have a unitary or federative system; whether ethnically homogeneous regions such as Tatarstan and Chechnya should have special status; whether oblasts and territories will be considered as equal federal subjects; prospects of regional governmental and administrative reform; powers of the central government; the role of ethnic groups in the country's political system; budgetary federalism; and many other issues.(Khakimov 2001) In addition, problems have also been engendered by the central government's attempts to examine the constitutional and legal status of the national republics and autonomous districts and to unilaterally revise agreements which have been concluded since 1994 between the central government and constituent parts of the Federation.

The design of the federal system has prompted a long and contentious debate in Russia since 1991. Efforts to balance central state interests with ethnic, regional and local diversity have generated a succession of different approaches, from the federal treaty in 1992, to the Constitution of 1993, to region-by-region treaties and agreements from 1994 on. The net result since the mid-1990s has been an asymmetrical federal system with substantial differences in powers across different regions. New initiatives by President Putin in the spring of 2000 represent an effort to remake the system once again. (Bahry 2004)

### 3.1.1 Constitution of the Russian Federation: An Introduction

The constitution of the Russian Federation was adopted by referendum on December 12, 1993. Before starting with the discussion over the constitutional provisions which facilitate asymmetrical federalism in this country let us first go through the Preamble of the constitution which will provide us with its intrinsic nature.

“ **[Preamble]** We, the multinational people of the Russian Federation, united by a common destiny on our land, asserting human rights and liberties, civil peace and accord, preserving the historic unity of the state, proceeding from the commonly recognized principles of equality and self-determination of the peoples, honoring the memory of our ancestors, who have passed on to us love of and respect for our homeland and faith in good and justice, reviving the sovereign statehood of Russia and asserting its immutable democratic foundations, striving to secure the well-being and prosperity of Russia and proceeding from a sense of responsibility for our homeland before the present and future generations, and being aware of ourselves as part of the world community, hereby approve the Constitution of the Russian Federation.”

The Russian Federation currently consists of 89 subjects of the Federation (including Chechnya). These 89 regions are themselves divided into six classifications (republics, districts, territories, federal cities, autonomous regions and autonomous districts), with each category possessing slightly different rights and privileges. As a result of this complicated internal structure, two distinct perspectives have emerged among Russian federalists. Symmetrical federalism calls for equality between all subjects of the Federation, while asymmetrical federalism upholds the existing inequalities between the regions. (Pomeranz 1998)

The first article in the first chapter of the first part of the constitution deals with the name of the country and the type of government that will be administering the affairs of the country. The article is as follows: *Article 1 [Russian Federation]*

The Russian Federation -- Russia is a democratic federal rule-of-law state with the republican form of government. The names "Russian Federation" and "Russia" are equivalent.

### 3.1.2. The Federation of Russia: the Nature of its Subjects

The Soviet federal structure was specifically designed to answer the nationality question. The country was divided along ethnic lines into fifteen union republics, with some union republics containing additional ethnic subdivisions (autonomous republics, autonomous regions) as well. The Khrushchev and Brezhnev periods saw the transfer of some power to the union republics, most notably in the areas of local affairs, language and culture. This limited devolution, however, should not be confused with genuine federalism. In practice, the republics remained subordinate to the Communist Party and Moscow.

Presently, the Russian Federation (RF) can be considered as the largest and the most complex in the world by taking into account its geographical size and degree of variation in its demographic composition. According to the 1993 Constitution, there are two equally correct names for the territory under discussion: “Russia”, and “The Russian Federation”. It should be noted first that the phrase *Rossiiskaya Federatsiya* (Russian Federation) cannot be directly translated into English. The Russian language has two words which are translated into English as ‘Russian’. The first is “*ruskii*”, which means ‘ethnic Russian’, while the second is “*rossiiskii*”, which means “civic Russian”. The Federation is the “*Rossiiskaya*” Federation, not the “*Russkaya*” Federation – it is the country not of ethnic, but of civic Russians, that is of bearers of citizenship under the Constitution. (Bowring 2010)

Thus, there are two levels of federal relations. First, there are direct relations of state power between the Federation and its subjects as such. Second, there are relations between unmediated bearers of state power of the Federation and its subjects. These include the “people” of the RF (its citizens who by Article 3 of the Constitution, make up its political community), and organs of state power. Article 3 of the RF Constitution is: “Article 3 [The Multinational People]

(1) The multinational people of the Russian Federation is the vehicle of sovereignty and the only source of power in the Russian Federation. (2) The people of the Russian Federation exercise their power directly, and also through organs of state power and local self-government. (3) The referendum and free elections are the supreme direct manifestation of the power of the people. (4) No one may arrogate to oneself power in the Russian Federation. Seizure of power or appropriation of power authorization is prosecuted under federal law.”

### 3.1.3 The Federal Structure of Russia: the Nature of Governance

Existence and the normal functioning of any federal state imply availability of a set of several necessary conditions. They include:

1. Common political, social and economic interests of the federal central and entities of Federation.
2. The federal center should have precise, flexible and differentiated program of economic development of regions (which, in its turn, should be fulfilled).
3. There should be present an appropriate system of the normative acts reflecting the principles of construction of budgetary federalism, as well as a balanced transparent system of the inter-budgetary relations.

The articles 4 and 5 of the first chapter of the first part of the constitution enumerate the federal structure of the government. The federation of Russia is a conglomeration of varied ethnicity and territorial disparities. Therefore, it was important for the constitution framers to deal with this situation explicitly and to provide for this kind of situation in the constitution. Let us go through Article 4 which deals with the issue of sovereignty: *Article 4 [Sovereignty]*

“(1) The sovereignty of the Russian Federation applies to its entire territory. (2) The Constitution of the Russian Federation and federal laws have supremacy throughout the

entire territory of the Russian Federation. (3) The Russian Federation ensures the integrity and inviolability of its territory.”

This article helps the central government to rise over the regional governments. It establishes the supremacy of the centre over the regional governments. All the territories have been treated equally and the federal laws are supreme and applicable to one and all. The territorial unity of the federation has to be maintained at all costs. This may also imply implicitly that any force which tries to violate the territorial integrity of the federation will be sternly curbed and dealt with. Given the nature of the federation the threat of the regions to assert their independence becomes impending therefore, it becomes all the more important to have constitutional provisions which can foresee such conditions and keep the federal government equipped to handle such situations.

Article 4 gives the nature of Russia as a sovereign. But this alone is not sufficient. The following article, therefore, elaborates the nature of the federal government of the country.

The previous paragraph has helped us to understand the sovereign nature of the Federation of Russia. We have also gone through the concerned article in the Federal Constitution which has facilitated in the establishment of the sovereign nature of the country. But, the main aim of the present research is to discuss the constitutional provisions which have helped the country to adopt a federal form of governance, more precisely, asymmetrical form of governance. Article 5 of Chapter 1 of the Constitution deals with this idea. The article clearly mentions the varying nature of the constituent states of the Federation. Let us first go through the article.

***Article 5 [Federal Structure]***

“(1) The Russian Federation consists of republics, territories, regions, federal cities, an autonomous region and autonomous areas, which are equal subjects of the Russian Federation. (2) The republic (state) has its own constitution and legislation. A territory, region, federal city, autonomous region and autonomous area have their own charter and



legislation (3) The federated structure of the Russian Federation are based on its state integrity, the uniform system of state power, delimitation of scopes of authority and powers between the bodies of state power of the Russian Federation and the bodies of state power of the subjects of the Russian Federation, equality and self-determination of the peoples in the Russian Federation. (4) All the subjects of the Russian Federation are equal among themselves in relations with the Federal bodies of state power.”

If we read this article carefully we find that this article deals with the constituent states. The states have been given the authority to have their own legislation and charter based on which they can carry out the governance within their territorial boundary. The states have been given equal status with respect to federal power at their level. These states have been endowed with the responsibility to maintain integrity within their territorial boundaries and.

Despite the decision of the Constitutional Court of Russian Federation from June 27, 2000, the legislators introduced the formula, that Republic of Bashkortostan is a democratic, legal, (sovereign state and part of the Russian Federation... into the Article 1. And though the second part of the same article specifies the limits of the sovereignty that is, the sovereignty of Republic of Bashkortostan is expressed in possession of all completeness of state power beyond the limits of governance of Russian Federation and authorities of Russian Federation on the subjects of joint governance of Russian Federation and Republic of Bashkortostan), the Part 1 of the Article 5 alleges, that “The republic of Bashkortostan is included into the composition of Russian Federation on a voluntary and equal rights basis.” The relations between the public authorities of Republic of Bashkortostan and the public authorities of Russian Federation are defined by the Constitution of Republic of Bashkortostan, Constitution of Russian Federation and the Agreement (on division of the terms of reference...), other bilateral agreements and agreements. Thus the legislator does not specify a mode of application of the given

standard in case of the contraventions between the Federative agreement, bilateral agreement, other agreements and Constitution of Russian Federation.

These two articles give an overview of the nature of governance to be exercised in the federation. However, if we read the constitution further we see that the third chapter of the first part of the constitution deals with the federal nature of governance in great detail. This chapter discusses the federal nature in all the aspects of governance. Article 65 in this chapter lists all the constituent states of the federation. Table 2/1 includes all those constituent states which participate in the formation of the Federation.

This article (Appendix 1) lists all the regions and the autonomous states which form the federation of Russia. The following table gives an overview of the nature of all these constituent regions.

The diversity and respective powers of subjects of the Russian Federation, as set out in the 1993 Constitution, are shown in the following table:

<p>The 21 ethno-territorial Republics, named after their “titular” people – for example Republics of Bashkortostan (Bashkirs), Chechnya (Chechens), Khakassiya (Khakas), Marii-El (Mari), Tatarstan (Tatars)<sup>9</sup></p>	<ul style="list-style-type: none"> <li>• are characterized by the 1993 Constitution as “states” - Art 5(2)</li> <li>• have their own constitutions (Art 5(2))</li> <li>• cannot become part of other subjects of the RF – Art 66(4)</li> <li>• cannot include other subjects of the RF -Art 66(4)</li> <li>• have the right to determine their own</li> </ul>
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9. The full list is as following : Adygeya; Bashkortostan; Buryatiya; Chukotka; Dagestan; Ingushetiya; Kabardino- Balkariya; Kalmikiya; Karachaevo- Cherkessiya; Kareliya; Khakassiya; Komi; Marii El; Mordoviya; Severnaya; Osetiya; Tatarstan; Tyva; Udmurtiya; Chechenya; Chuvashiya; sakha (Yakutiya)<sup>9</sup>

	state languages - Art 68(2)
The 9 <i>krais</i> and 46 <i>oblasts</i> – territorial administrative units with majority ethnic Russian population	<ul style="list-style-type: none"> <li>• have their own charters - Art 5(2)</li> <li>• cannot become part of other subjects of the RF - Art 66(4)</li> <li>• may include autonomous <i>okrugs</i> - Art 66(4)</li> </ul>
The 2 “cities of federal significance” – Moscow and St Petersburg	<ul style="list-style-type: none"> <li>• have their own charters - Art 5(2)</li> <li>• may not become part of other subjects of the RF – Art 66(4)</li> <li>• may not include other subjects of the RF - Art 66(4)</li> </ul>
The (Jewish) autonomous <i>oblast</i>	<ul style="list-style-type: none"> <li>• has its own charter - Art 5(2)</li> <li>• is part of the RF as a unique entity - Art 5(1)</li> <li>• may be subject to a federal law on autonomous <i>oblast</i> - Art 66(3)</li> <li>• may not become part of other subjects of the RF- Art 66(4)</li> <li>• may not include other subjects of the RF- Art 66(4)</li> </ul>
4 “autonomous <i>okrugs</i> ” – part of the inheritance from the Soviet period – these are subjects of the Federation with full rights, but are located in the territory of another subject	<ul style="list-style-type: none"> <li>• have their own charters - Art 5(2)</li> <li>• may be subject to a federal law on autonomous <i>okrug</i> - Art 66(3)</li> <li>• may become part of a <i>krai</i> or <i>oblast</i> - Art 66 (4)</li> <li>• may not include other subjects of the RF - Art 66(4)</li> </ul>

The Subjects of the Russian Federation (Table 2/1)

This extraordinary ramification reflects both the Soviet nationalities policy, and also the multi-ethnic character of the Tsarist Empire.

So far we have discussed the federal nature of Russia as given in the constitution. The central idea of this chapter is to discuss the constitutional provisions which facilitate the asymmetrical federalism in the country. Article 66 of the third chapter enumerates the extent of power that the regions may exercise and the kind of relationship they share with the centre. (Appendix 1)

#### 3.1.4 The Constitution and the Role of the Constitutional Court

Ever since its reinstatement in 1995<sup>10</sup>, the Constitutional Court has played a quiet but increasingly active role in the evolution of Russian federalism. The 1993 Constitution only contained a broad outline of the country's new federal structures. As a result, the Court has been frequently asked to fill in the legal gaps and clarify the changing relationship between the center and the regions. (Pomeranz 1998)

The republics wanted to protect the rights of Russia's ethnic minorities and maintain the national divisions within the country, while the districts and territories wanted to see these national distinctions abolished and the country divided into territorial units with equal rights. This internal debate has led to the development of two alternative approaches to post-Soviet Russian federalism. Symmetrical federalism seeks to promote equality between the members of the Russian Federation *vis-a-vis* the central government without transforming the country into a unitary state. Alternatively, asymmetrical federalism preserves the old unequal Soviet distinctions between republics, districts, and

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10. The Court was suspended for seventeen months after the October 1993 attack on the Russian White House.

autonomous regions, yet it does not go so far as to assert that Russia is a confederation of independent states.

The Constitutional Court has increasingly been asked to somehow reconcile these two competing theories. This has proven to be quite difficult as we have already seen earlier that both symmetrical and asymmetrical federalism find support in the 1993 Russian Constitution.

In many ways, it is still too early to predict the outcome of Russia's debate between symmetrical and asymmetrical federalism. These two alternative theories may continue to compete against each other, co-exist, or ultimately converge. Despite its own apparent leanings, the Court has been unable to reconcile the differences between symmetrical and asymmetrical federalism. This is at least partly because the Russian Constitution itself contains support for both principles. But even though the Court has not resolved the internal debate within Russian federalism, it still has emerged as one of the primary defenders of Russia's new federal structures. It has assigned specific rights to the regions, upheld certain central powers, and promoted both regional equality and national unity within the Russian federal system.

One must understand the limitations under which the Constitutional Court currently works. The Court can provide a legal framework for Russian federalism, but it still cannot impose this theory on the country as a whole. Yet even as the Court struggles to enforce its decisions, it continues to promote the federalist principles within the Russian Constitution. The Court has also emerged as one of the primary arbitrators of disputes between Moscow and the subjects of the Federation. By clarifying center-regional relations, therefore, the Court has begun to create a legal foundation for the future development of Russian federalism. (Pomeranz 1998, 1999)

The Constitutional Court is not the only institution currently influencing the development of Russian federalism. Through its staunch defense of regional interests, Russia's upper house, the Federation Council, has had a profound impact on center- periphery relations. Political and economic considerations also continue to intrude on this debate. Since 1991, President Yeltsin has attempted (with limited success) to restrict the power of regional officials by placing presidential representatives in certain districts and territories. These emissaries monitor federal spending in the regions and make sure that local federal officials do not become overly dependent on local politicians. Such interference has naturally provoked a counter-response from the regions against these presidential representatives and Moscow in general. (Pomeranz 1998)

### 3.2. Asymmetrical Federalism: Constitutional Provisions

The size of the country causes difficulties in the process of creation of the uniform market and equalizing the levels of development in various regions. Really, the variety of conditions of existence in regions is such that it is hardly possible to expect to equalize of social development of the subjects. The gap between them will be stimulated by geographical, climatic and economic advantages of separate regions.

Practically in any country, which has large territory, its entities differ by their economic characteristics. And the more disproportions between regions, the more negative effect it has for the economy and political stability of the country as a whole. In order to prevent that, the programs of the assistance to the depressive regions are usually accepted at the federal level. In this respect, the example of vertical and horizontal flattening of rich and poor lands in Germany became axiomatic. In Russian Federation there exist unprecedented inter-regional contrasts between the subjects

- by GNP. For example, in the Tyumen oblast the GNP constitutes 800% from average of the country, whereas the Pskov, Penza, Tambov, Chita oblasts, Altay kray, Republic of Marii El and some other regions hardly collect 30 - 40 % from average Russian GNP (this break constitutes 1,1 times among the states of the USA);
- by the stage of social-economic development - from pre-industrial (Tyva, Kalmykia, Altai, part of autonomous areas of North) up to post-industrial (Moscow, St. Petersburg);
- by the level of urbanization of territories - from zero (100 % of agricultural population) in Ust-Orda, Buryat autonomous area up to maximum (100% of urban population) in Moscow;
- by the area of territory by 388 times (Saha-Yakutia and Northern Osetiya), and population by 376 (Moscow and Evenkiya autonomous area). (Pugacheva & Abdrakhmanov 2001)

Such asymmetry, large geographical extension of the country, practically complete absence of the help to the depressive regions, and also complete absence of working mechanisms of lowering of social-economic and legal asymmetry results in the fact, that the regions (especially those on the frontier) begin to be guided in economic, and, hence, legal plan by the frontier neighbours, which play a role of mighty power fields. In the opinion of many experts, the larger part of Russia is connected with such entities of Russian Federation as the Sakhalin oblast, Kamchatka oblast, Amur oblast, Khabarovsk kray, Chita oblast and the others only by railway, and the trade turnover of the above mentioned entities with the Russian Federation constitutes no more than 10 %. Krasnodar kray will always be in a particularly favorable condition because of its subtropical climate and access to the Black sea. The development of the North of Russia will be always problematic because of the huge expenses necessary for the northern delivery. The Kaliningrad oblast is constrained to be guided by the Baltic countries and to live in the special mode of the enclave, and Primorsky kray is situated in a vast field of

attraction of the Asian countries. It is very difficult to present mechanisms capable to create symmetry of statuses for the subjects, which are so different due to objective conditions. Thus, it is possible to single out the following factors calling the asymmetry of Russian Federation: ethnic, geographical, climatic and economic variety of country that generates discrepancy of interests of the subjects and demand of the appropriate rights for the solution of certain regional problems. (Khakimov 2001)

Considering political and social-economic interests of regions, it is impossible to bypass a group of areas, whose interests slightly differ from the interests of first and second groups of the entities of Russian Federation. We are speaking about rich, strong areas, capable of investment expansion to other regions (Sverdlovsk and Tomsk oblasts). This group of regions is dissatisfied by their status distinguished from the status of republics, which according to the Article 5 of the Constitution of Russian Federation are announced as the states, while all other entities are not. Besides, from times of the USSR the central authorities shared the point of view, that only the republics in the composition of RSFSR were national-state formations, i.e. they were subjects of Russia proper. The first attempt to pull up to the status of a republic was made in 1993 when the Ural Republic was proclaimed by Sverdlovsk regional council of the People's Deputies.

At that time its proclamation did not pursue the purposes of receiving of the economic privileges for the region, as it was the practice with the special bilateral contracts. By the decree of the President of Russian Federation N 1874 from 9 November 1993 Sverdlovsk regional council was dissolved and its decisions about the Ural Republic were recognized invalid, and the next day the head of the administration of Sverdlovsk area was released from his position. Nevertheless, in three years time the Sverdlovsk oblast became the first entity. It was the first non-republic with which the federal central government signed the Agreement.



This Agreement provides the Sverdlovsk oblast the additional rights not stipulated by the Article 72 of the Constitution (Appendix 1) of Russian Federation. Let us first read as to what Article 72 has to say.

Thus, it is not incorrect to say that the Sverdlovsk Oblast enjoys special rights not mentioned in the Constitution. For example, the following in the sphere of joint management:

- a) Creation of conditions for structural reorganization of economy of Sverdlovsk oblast;
- b) Regulation of questions connected to processing, use of jewels and items from them, situated on the territory of Sverdlovsk oblast, etc.

The Agreement between the Government of Russian Federation and administration of Sverdlovsk oblast area about division of authorities in the sphere of public health services establishes, that the financing of the federal programs of development of public health services in the oblast is realized at the expense of the taxes collected on the territory of Sverdlovsk oblast, which are subject to the transfer to the federal budget.

Asymmetrical federalism can trace its evolution through a series of treaties that began with the very creation of the USSR. In 1922, four republics (Russia, Ukraine, Belarus, the Transcaucasus) signed a treaty that formally created the Soviet Union.<sup>38</sup> This treaty served as one of the main foundations of the Soviet Union until 1991, when Mikhail Gorbachev sought to revitalize the USSR through the adoption of a new Union treaty. On the very eve of the Union treaty's actual signing, however, the August 1991 putsch occurred, and the agreement was quickly abandoned. Instead, it was Boris Yeltsin who turned to the original treaties, not to save the USSR but to abolish it.

In December, 1991, in the so-called Belovezhskii accords, Russia, Ukraine, and Belarus used their status as original signers to dissolve the USSR. Yet no sooner had Boris Yeltsin abandoned the original Soviet treaty than he discovered that the newly

independent Russian Federation required its own internal treaty to hold the country together. Thus, after a series of complicated negotiations, the March 31, 1992 Federation Treaty (*dogovor*) was signed. The Federation Treaty was in fact a series of three agreements, one for republics; one for districts, territories, and the cities of Moscow and St.Petersburg; and one for autonomous districts and regions.

The Constitutional Counsel of 1993 became a significant event from the point of view of federal development in Russia. Many people proposed to declare it a Constituent Assembly. However, the political opportunists forced to select the form of Counsel with a wide range of not very representative participants list. Along with the federal entities it included parties and organization of little influence. The procedure of discussion of various proposals was not defined. In the result the delegation of Tatarstan abandoned the Counsel, and many entities of Federation remained rather dissatisfied with both procedure and contents of the draft of the Main Law.

The main disadvantage of the Constitutional Counsel was that it did not take into account the adopted by then constitutions of republics during the preparation of the draft of the Main Law, and it did not corresponded very well with the declared federal nature of the state. Furthermore, organizers of the Counsel were mostly directed towards the strengthening of the presidential power and were carried away by struggle with the parliament and communists.

It was not only the republics that were dissatisfied, but also many areas, which demanded equal rights with the republics. Therefore it was not by chance, that during the referendum almost 1/3 subjects voted against the new Constitution. The contradictions between the federal and local legislation, which arose during the subsequent years, in many respects were the consequence of this partial legitimacy of the Constitution of Russian Federation. (Lapidus 1995, 1999)

The resentment of the regions over what they considered their second-class status in an asymmetrical federation which granted what were, in their view, unjustified privileges to republics was partly defused by the Constitution of December 1993 which ignored the Federation Treaty and treated republics and regions as more or less equals. Moreover, when the federal government effectively upgraded the status of the regions by proceeding to negotiate bilateral treaties with them as well, concerns over economic regionalism began to displace the focus on ethnic separatism.

In the often chaotic and ad hoc bargaining process surrounding these negotiations, the demands of republic and regional elites tended to converge around similar issues: greater political and economic control over decisions affecting their regions or republics, and more favorable treatment with respect to taxation and resource allocation. (Murrell 1997)

Despite the widespread support for sovereignty, there was in fact little expectation of or demand for separate monetary systems, military forces, foreign policies (as distinct from the development of economic ties with foreign partners), or other attributes of independent statehood. If the threat of secession once gave the republics a unique source of leverage in bargaining with the center, arguably the governors of key regions have available to them other assets that can be deployed.

The contractual process between the central government and entities of Federation, which began in 1994, became the original response to the dissatisfaction with the constitutional system and actual management of regions. Gradually it covered about half of entities of Russian Federation. Simultaneously with signing of the agreements, a number of the political parties and power structures began the struggle for their denunciation, what caused the adoption of a number of laws regulating the relations between the central government and the regions.

Thus, the following documents serve as a legal basis of the federal system of Russia: the Federal Agreement, which exists nominally as a document, the Constitution of Russian

Federation, constitutions of republics, which do not always coincide with the Russian Main law, bilateral agreements and, lastly, separate laws of the Russian Federation regulating certain questions of the relations between the central government and the regions.

The adopted documents and first of all the Constitution of Russian Federation have defined the varying status of the entities: republics as states with their constitutions, oblasts, territories (krays) and two cities (Moscow and St. Petersburg) as administrative territories and autonomous regions which are included in the structure of other entities. The separate agreements (for example, with Tatarstan and Bashkortostan) have aggravated this inequality, thereby having fixed the asymmetry of federation.

The Constitution of Russian Federation rather vaguely states the nature of Russia. In the Russian empire everything was done on behalf of the monarch, in the USSR. On behalf of the worker and peasants, while in updated democratic Russia the subject of law is not completely explicit. The references on certain Russian people do not satisfy republics concerned with vulnerability of rights of non-Russian peoples, and the thesis about multiethnic people, which is frequently voiced by the leaders of the country and is written down in the preamble to the Constitution, has remained a pure declaration.

### 3.2.1 Asymmetrical Federalism in Russia: Today and Tomorrow

The question of inequality across regions is similarly complex. By definition, the provision of asymmetrical powers to regions and localities means that regional policies should differ, reflecting varied preferences for public goods and services. The problem, of course, is that regional preferences and regional economic and fiscal resources are often mismatched. Levels of economic development and corresponding revenue bases vary; as does economic profile (e.g., between "rustbelt" versus "sunbelt" regions). To add to the complexity, central governments' capacity to reduce these differences by traditional

methods has grown more difficult, due to the trends outlined above. As Keating (1999) notes, federal-level governments have experienced a striking loss of capacity to forge territorial economic compromises by traditional means: "Diversionsary [i.e., redistributive] regional policy measures are much more difficult to implement in a globalized economy because firms have a wide choice of location outside the boundaries of the state." Thus old strategies for regional protection, such as tariffs, diversionsary regional policies, and state-directed investment strategies no longer prove as feasible or effective (Keating 1999).

As devolution and asymmetry spread globally, they raise a host of questions about the implications for democracy, equality, and national integration. With respect to the fit between democracy and asymmetry, the standard argument, as noted earlier, is that rights should be guaranteed to individuals rather than groups. But this is a narrow view: democracy is also about protecting rights of minorities, and guaranteeing representation and participation. Symmetrical federalism is an effort to recognize these multiple dimensions of democratic rights. (Stepan 1999a, 1999b)

Asymmetry is a common and growing feature of democratic federations, especially those with compactly settled ethnic minorities. Individual territories and groups enjoy special status and rights ranging from the cultural and linguistic to the political and economic realms. Moreover, even unitary systems have increasingly devolved authority to the regional level and granted asymmetrical rights to different regions in recent years. Globalization and broad societal changes have made highly centralized states less and less able to cope with demands for economic, social, and cultural development. (Bahry 2004; Lynn and Novikov 1997) However, there are several drawbacks in the systems which continuously retard the rate of growth in the Federation. These drawbacks have become the very characteristic of the administrative system of the country.

Perhaps the most significant characteristic of federalism, Russian style, is the striking lack of cooperation between center and regions. Although Yeltsin once proclaimed that he would give the regions all the freedom they could stand, in reality, the center has tried to exert its control over the regional governments. This control includes attempts by the center to mandate expenditures, limit the regions' policy flexibility, and to constrain the regions' authority to tax. Regions also face a major imbalance between their expenditure responsibilities and their resources. Revenue sharing also appears to exhibit a ratchet effect, so that regions that increase their revenue are likely to see their transfers decline.

Yet the center has proved insufficiently strong to enforce its will, with the regions resisting the center's attempts at control. Following democratization, many regional governors have emerged as "local heroes," in part through resisting the federal government (Stoner-Weiss 1997). Perhaps the most critical aspect of this resistance is the informal system of budgeting and taxation. This system allows regions in part to skirt Moscow's rule, increasing transaction costs at the expense of transparency (OECD, 2000, 144; Shleifer 1997). Many regions have resisted Moscow's attempt at economic reform; and many have devised clever strategies by which they divert tax revenue for their own uses instead of sending it to Moscow, exacerbating the center's financial problems. (Figueiredo, Jr. & Weingast 2002)

This system also produced in the mid-1990s an "asymmetric" federalism in which those regions with the greatest ability to make trouble for Moscow received the best fiscal deals (Solnick 1995, Treisman 1999). In the short-run, this pattern of bargaining kept the federation together. In the long-run, it exacerbated non-cooperation. As Shleifer (1997,403-04) concludes, "the regions that get the most revenue are the ones that create trouble for Moscow: they have strikes, labor unrest, and separatist movements... *[P]eace and prosperity in a region do not, evidently, increase the resources of the local government...*"

The response has been to reconfigure the allocation of state power between central and subnational governments. At the present time, many preconditions and legal contours of democratic federalism have been created. That is why Russia is very likely to develop from an asymmetric contractual federation to an asymmetric constitutional federation and finally to a symmetric constitutional federation.

The regions are also characterized by increasingly diverse leadership strategies and capacities making the Russian Federation a virtual laboratory for testing different developmental models. What does all this herald for center-periphery relations in the near term? The northern Caucasus constitutes a special case, with Chechnya effectively out of central control and a high potential for conflict and instability in neighboring republics, Dagestan in particular. A further contraction of Russian power in this region is not out of the question. Elsewhere in the Russian Federation we witness growing economic and political autarchy in regions and republics alike, but little evidence of serious political separatism. (Beissinger 2002)

This picture could be altered significantly by two possible developments. The inability of the central government to provide for the welfare of military units across the territory of Russia has already made them increasingly dependent on local authorities. Were this trend to continue and intensify, the regionalization of the armed forces could significantly increase the capabilities of regional elites and create new temptations and dangers. The other potentially destabilizing trend would be the emergence of political actors promoting aggressive forms of Russian nationalism and chauvinism to advance their political ambitions. (Murrell 1997) Actions that would threaten the autonomy and status of non-Russian populations and republics, or seek to mobilize Russian diasporas in neighboring states, could trigger an escalation of interethnic tensions and regional conflicts both within the Russian Federation and along its periphery. But they would do little to address the more fundamental challenges of state building in contemporary Russia.

Russia is now in transition from the centralized state, retaining the remnants of empire in structures and consciousness, to the democratic federation. There are less and less resources in Russia for a return to the Unitarian state. It was not by chance that V. Putin declared in his annual Address to the Federal Council: A truly strong state is also a strong Federation. The reforms begun by Putin, to a certain extent bring back the unitary thinking and unitary structures, as they are directed on equalization of all entities in their rights. But, first, reforms are rather inconsistent, as, for example, it is the case with the districts (okruga), which still does not have a clear status or precise functions. Secondly, it is doubtful whether the reforms will contribute to improvement of the country's governability. They actually introduce more mess, than stability. The central government intervenes not only in the sphere of joint authorities, but also into the authorities of the entities. There are bulky structures with local branches, which quite often are parallel to local authorities. The federal districts become a superfluous part in power structures.

Unfortunately, the lack of an appropriate structure to monitor and support subnational governments is a common problem in transitional countries (Kahn 2002). Although obviously constitutionally restrained to some extent in a federal setting, the national government should nonetheless in its own interest keep a close eye on the finances of sub-national governments, both in total and individually. Often, central authorities do not have a very good understanding of either the existing situation of subnational governments or of the likely effects of any proposed changes in their finance.

Even if, as in Russia, there are uniform financial reporting and budgeting systems, an appropriate agency -- perhaps preferably one with a certain degree of political separation from the central government -- needs to be made responsible for collecting and processing these data in a timely fashion so that it is comprehensible to a wider audience. In Canada, for example, this role is played in part by the federal agency Statistics Canada and in part by the private non-profit agency the Canadian Tax Foundation as well as by a variety of



private and academic commentators. In Ukraine, to some extent the Fiscal Analysis Office of the Verkhovna Rada performs this task. (Bird 2006)

It is not difficult to predict, that the process will objectively go towards a stricter distribution of authorities between the central government and the entities. It would be expedient for the central government to reserve not maximum, but optimum number of functions, which would include, first of all, defense, protection of borders, customs, financial system and foreign policy. Other functions can easily be delegated to the federal entities. And common federal interests can be realized through adoption of the federal programs, in which the interested entities with the appropriate financial support will participate.

Most likely, the debate on authorities of the central government and entities will last rather long and at the end of this way there will be just a few entities, which will insist on their sovereignty. Those will be the republics with original culture, history and strong religious and other traditions, i.e. Tatarstan, Bashkortostan, republics of Northern Caucasus, Saha (Yakutia) and others. Other entities will hesitate between the opinion of the central government and that of the most active entities. All this will not weaken, but strengthen the asymmetry of Russia. The constitution of Saha (Yakutia) states the republic as a sovereign state included into the structure of Russian Federation on the basis of the Federal agreement (and according to it the republics reserved the right to withdraw according to the procedure established by the agreement). And, as it was already said, according to the republic's Constitution it possesses the priority right to use the natural resources.

The treaty about distribution of authorities between the state bodies of Russian Federation and the state bodies of the republic and the agreements gave the republic more rights in the economic sphere, than it had been provided by the Constitution of Russian Federation. Such asymmetry is proved by the Yakut elite by the right of the population on

their territories and use of their resources; the right of the native born peoples for resources .of their motherland, which is much more than the right on land, self-government under the common law. The qualitative features of natural, climatic conditions, and hence the historical traditions of the peoples living on the territory of this northern area, served as a basis for independent regulation of the problems of social and economic development, including the questions of property, management forms., standards of tax, price and investment policy. (Treisman 2011)

### 3.3 Conclusion

Of course, different countries have different cultural understandings and political conditions with respect to the desirable level and nature of accountability. Whatever standards and practices of accountability are considered desirable, however, formal reporting and evaluation systems inevitably constitute essential components of any workable accountability system -- whether to users, to local taxpayers, or to the central government, depending upon the source of financing. In all cases, an adequate system of collecting and assessing information is required not just for accountability but also, importantly, to help establish a "public" to whom to be accountable.

As a result, the regions independently integrate themselves into the global economy, independently solve the problems facing them in this difficult period and accordingly build the system of the legislation, which, on a sight of the entities of Federation, is capable to create the favourable preconditions for the development of economy, to attract western investors, to make foreign trade activities more intensive and efficient. In these conditions each region (or groups of regions) has its own political and economic interests. For creation of the strong state, a viable federation it is necessary, that the regional interests have a common political, economic and social orientation that does not occur yet. Therefore, it seems that Russia can be designated as a multifactor federalism in the terms of the state-territorial system.

Thus we have seen in this chapter that how the Constitutional provisions have helped Russia to stick to asymmetrical federalism. Right from the year 1993 when the Constitution was adopted, it has undergone several amendments in order to incorporate the various types of disparities faced by the Federation. Russia undoubtedly is beset by various types of disparities and all the regions cannot be seen through one eye. Differential measures and constitutional provisions thus become a necessity in order to create a good government. By good here, it means specifically the kind of government which continuously keeps into consideration the varying status of the subjects. The last chapter of the present study will briefly summarize all the findings throughout the chapter.

## CHAPTER 4

### *CONCLUSION*

Russia currently exhibits a character of competitive federalism. All federal structures are dependent on the regions. The disintegration that is under way is due, not to separatist desires, but because the center is not adequately taking care of regional needs. The governors are playing a decisive role in center-regional relations, but they are very diverse in terms of their views.

The regions are faced with a very complicated set of problems and are facing the end of the Yeltsin regime without a clear idea of what comes next. At the same time, it has been indicated that more attention needs to be paid to the needs of the regions. There appears to be two possibilities for Russia: either the country will disintegrate in a soft way or delegation of authority to the regions will be greater. However, this has always been a subject of scholarly debate.

In the eyes of many, the asymmetric design of the system of intergovernmental fiscal relations saved Russia from falling into an abyss of civil wars as in Chechnya and thus kept the country from disintegrating. But asymmetrical federalism has not been without cost for the Russian Federation. Many of the problems and tribulations Russia went through in the last decade, lack of fiscal discipline, economic stagnation and so on have been explained by many observers as having roots in the asymmetrical federalism and the inability of the federal government to impose a unified legal system throughout the Russian federation. (Martinez- Vazquez 2002)

Asymmetrical federalism is not unique to Russia. In many of the countries there was a historical foundation for federalism and social prerequisites, with entities that freely bound themselves together. This is not the Russian experience. Historically Russia does

not have any such previous exposure. In Russia all regions view federalism as a zero-sum game, and many regions do not want to get together and compromise. It can be argued that the regions really want to stay a part of Russia and can be asked rhetorically where the funds would come from to support a separated region, given the very poor climate for foreign investment.

In other countries, factors that have caused regions to bind together include a common perception of an external military threat, civil wars that have not resolved internal problems, and an expanding internal market. Most recently, the computer revolution, with information readily available, has been a countervailing factor to recentralization (for example, China and India). Taxation systems and how they evolve will be an extremely important indicator.

So far, the Russian transition has shown that, unless there is a legitimate enforcement mechanism, taxation and legal structures will not work. It can also be inferred that functioning courts and laws have historically arisen over a long period of time from stable political systems.

Russia's 89 regions have played an active role in shaping the existing system of federal relations. The principal institutional framework for this influence is the upper house of the national assembly, the Federation Council. Although this institution could provide a mechanism for checks and balances between the center and the regions, in fact, so far the Federation Council has most often acted to disrupt the development of a normal federation by seeking to retain and expand regional powers far beyond that envisioned in any federal system. Moreover, the members of the Federation Council have purposely created gridlock in the legislative process in order to stall legislation that would encroach on their considerable powers. (Gelman & Senatova 1995)

In the absence of federal legislation, regions are allowed to pass their own laws on any given policy area. The goal pursued by most regional leaders is to preserve the current informal system that distributes power and resources on the basis of individual lobbying

of central government officials. Given the extent to which regional lobbying defines the institutions of Russian federalism and the mindset of its principal actors, the most likely outcome will be a continuation of a bilateral negotiating game between regions and the center. Thus the prospects for the emergence of a genuine, effective federal system are remote for the foreseeable future.

The current situation is difficult. The federalist model proposed in 1993 is not working. The process of signing treaties was motivated more by political than by economic factors. Some of the treaties were bad, and the amendments were bad. This situation could lead to a revision of all of the treaties and replacement with a more unified approach. The mode of ratification will be an important legal issue. Currently, there are also 123 cases of direct contradiction between the Constitution and local legislation. The mechanism for resolving these contradictions is itself unresolved. There is also a need for some form of reunification. Russia is not actually 89 pieces but approximately 20 or so with clearly distinguishing characteristics. It would be a good idea for economic reasons and would significantly simplify federalist governance to recombine into a smaller number of regions. How to do this in practice without breaking up the country is unresolved. A majority of the governors are against such an action. (Fedorov 1999)

A major problem is the weakness of the state at both the national and the regional levels. At the same time, the regions are working with each other in many capacities, and most of the regions have established interregional offices, which actually make it easier to work with another region than to work directly with Moscow. There are no national concepts of reform emerging, and there is decreasing willingness of local leaders to accept the idea of nationwide reform. One expert argued that the eventual outcome will be a constitutional revision that will result in a more coherent federation, but definitely not a loose confederation. (Lapidus 1999)

Another expert argued that Russia could either continue decline in the fashion argued by Mr. Nemets or, as an alternative, a young and lively president could be elected who leads a national political party to victory and turns Russia's decline around. Others argued that

further disintegration will not necessarily result in secession, but rather a looser form of center-regional relations and a form of federalism that will only emerge as a result of a much longer term process.

Russia is forming a governmental structure at the same time it is shifting to a market economy and attempting to create new political, economic, and social systems. Russia has historically demonstrated tremendous resilience. The analogy to Sikorsky's bumblebee was suggested, referring to a passage in which he argued that "By all laws of aeronautics, the bumblebee should not fly. But it keeps flying. Maybe the bumblebee does not know that." (Luttwack 1999)

Charles Tarlton (1965) points out that pattern of intergovernmental relations vary in significant ways within federal states. That is to say, each component government cannot be expected to maintain the same type of relationship to the central government. Variations in federal relations are dependent on the degree of symmetry in the federal system. Disproportionality is inherent in federal systems and differences among territorial units lead to power asymmetries. The notion of *symmetry* refers to the extent to which component states share in the conditions and therefore the concerns more or less common to the federal system as a whole. By the same token, the second term, the concept of *asymmetry* expresses the extent to which component states do not share in these common features. Whether the relationship of a state is symmetrical or asymmetrical is a question of its participation in the pattern of social, cultural, economic, and political characteristics of the federal system of which it is part. The relation in turn, is a significant factor in shaping its relations with other component states and with the national authority. (Tarlton 1965: 861)

In symmetrical federal systems, the political units are relatively equal socially, culturally, demographically, economically, geographically and politically. If symmetry is prevalent, equality is predominant and the component parts have in principle similar types of relationships to the federal centre. In asymmetrical federations, on the other hand, the

political units are different from each other. As a consequence, they interact with the federal centre in dissimilar ways, since they have different interests due to the fact they are concerned with different kinds of issues (Tarlton 1965: 867-870). Some local governments have adequate resources and are in a position to demand more political power than others. Therefore, elements of disputes and internal resentment are more likely to occur in asymmetrical federations due to diversity (see Tarlton 1965: 872-873; Watts 1999: 63).

In that case, the political system has to be adapted to meet the different needs and demands from its components. Different types of asymmetry are embedded in political systems. With regard to the study of federalism, Alfred Stepan recognizes two legitimate uses of the word asymmetrical: "socioeconomic asymmetry and its implications for bargaining within the federation" and "constitutionally embedded differences between the legal status and prerogatives of different subunits within the same federation" (Stepan 2000: 141- 142)

In 1998, Russia, due to continual deterioration since 1989, is a virtually broken country. This is due to several factors. If the 1989-98 growth in population were to have occurred at the same level as in 1986-88, then in this period the population would have increased about 9.5 million. In reality, by preliminary data, the "natural decrease" of population during these 10 years was about 5 million people; as a result, Russia lost at least 14 million people, which would comprise about 10 percent of its present population. It should be emphasized that the eastern regions of the country, first of all, the Russian Far East, suffered in maximal degree from depopulation processes. It is expected that drastic deterioration of the social-economic environment in Russia in August 1998 (the "August 17 catastrophe") will result in further decrease of birth rate and growth of mortality, so by the year 2000 accumulated human losses may approach 20 million. This will occur even in the case of "peaceful" situation development without serious internal conflicts or large-scale famine. (Solnick 1995)



Malnutrition is also a factor. Even before the "financial catastrophe" of August 17, 1998, malnutrition transformed into a scourge of Russia. In 1996-97, the average consumption of meat products fell to the 1960 level, and fish products to the 1950s level. Simultaneously, nutritional value decreased from 3,200 to 3,300 cal a day in 1990 to 2,300 to 2,400 cal in 1997. And half this quantity was provided by bread and potatoes. It seems that the average nutrition level and consumption of major food products in Russia "returned" by 1997 to the beginning of the 1960s level.

The situation in food consumption was the worst in the eastern regions of Russia, where in 1997, and especially in the first half of 1998, a large part of the people dealt with real hunger. The situation became much worse, however, after August 17. Hunger, cold, and poverty are three major threats to the Primakov government during the winter 1998-99. The grain harvest in 1998 fell to about 300 kg per capita, which was the lowest level since 1946-47. In addition, after "August 17," food imports fell 2.5 to 3 times. Russia's own production of meat and milk also continues to decrease. So in the winter, and especially in the spring of 1999, Russia may deal with real hunger, possibly complicated by food transportation blockade on regional borders. And again, the Russian Far East, especially the "Far Northeast," which is not connected by reliable railroads or highways with other parts of Russia, has become the most suffering zone. (Watts 1994, 1996)

The previous several years have also been characterized by a drastic growth of tuberculosis, sex diseases, and other dangerous diseases, coupled with a dramatic devastation of medical service. The number of tuberculosis (TBC) bearers in Russia increased, officially, from less than 1 million in 1990 to 2.2 million in 1997 and 2.5 million by mid-1998. But the real number may be as much as 5 million. The situation is epidemic in the Russian Far Northeast; in some districts of the Magadan region, TBC bearers form up to 50 percent of the population. Between January 1997 and October 1998, the number of people with HIV in Russia sprang from about 3,000 to more than 10,000. Russian officials warn that the actual number of HIV cases may be up to 10 times higher and would increase several times by 2000. The officially registered number of

diabetics in Russia is 2.1 million; in reality, the number is 6-8 million, and they get almost no treatment. By the beginning of 1998, Russia also had 5 million insane persons. By the year 2003, there may be 10 million. The number of such persons in Russia increased by four to five times between 1990 and 1997.

At the same time, medical service in Russia has been devastated. In 1997, state expenses for medical service decreased to about 3.4 percent of GDP; it is expected that in 1998 this indicator may fall to 2 percent of GDP. Large, six months or more, wage arrears of medical personnel became normal. After the "August 17 catastrophe" funding of medical systems greatly decreased, import of medicine also decreased several times, and drugstores in Russian hospitals became empty. Just as in all other fields, the situation in the eastern regions is the worst, and in the Far Northeast medical service has almost ceased to exist.

There also has been a significant growth of alcoholism and a tremendous growth of drug addicts. Consumption of alcohol in Russia increased, by estimation, a factor of 2 to 2.5 times between 1990 and 1997. There are many millions of alcoholics in Russia now, with the exact number unknown. By official data, the number of Russian drug addicts reached 2 million, but by expert estimations 12 million. During the last five years, the number of drug users increased 14 times, with the growth even greater in large cities. In some cities 10 to 30 percent of teenagers use drugs. The present economic turmoil will provide new opportunities for the spread of narcotics.

According to a nongovernment survey in October 1997, incomes of 40.2 percent of Russian people were below the poverty level, officially equal at this moment to 407,000 ruble a month (about \$70). They were starving or half starving. By reliable estimations, the average salary in the first half of 1998 decreased in real terms by 10 to 12 percent from the first half 1997, and 2.5 times from the 1990 level. Huge wage and pension arrears have additionally reduced the small incomes of the "common Russian." By July 1998, wage arrears reached at least 1.5 months per worker, while pension arrears reached

about 1 to 1.5 months. At the same time, unemployment increased to 8.3 million (about 11.5 percent).

The distribution of wealth is also important. Wealth in Russia is geographically concentrated in Moscow, Petersburg, Yekaterinburg, and Nizhniy Novgorod, and the poverty is concentrated in the peripheral regions of the east and the south. The Russian Far East became an "absolute poverty zone." In the first half of 1998 at least 60 percent of the people in the Russian Far East were below the poverty level; in the Far Northeast (to the north of Trans-Siberian Railroad) this index was at least 80 percent.

By mid-1998, real average incomes were about 10 percent less than a year ago. After the "August 17 catastrophe," however, the situation worsened. According to official data, the share of people below the poverty line officially increased to 30 to 32 percent; by independent surveys, the number was more than 50 percent. By estimation, Russia's average income and consumption, which corresponded to the beginning of 1960s level before the "August 17 catastrophe," fell by the end of 1998 to the beginning of the 1950s level. And, in the Russian Far East at least 70 percent of local people live now under the poverty line.

Most of Russian cities and towns do not have enough money to pay for power, coal, fuel, and oil. As a result, in most parts of Russian regional and district centers, temperature in apartments in the winter season is rarely above 14 C. As in all other cases, the Russian Far East suffers the most. In 1995-97, Vladivostok lived without power. This winter the city is trying to live almost without heating. And, the Russian Far Northeast, which accumulated only half the fuel necessary for the 1998-99 winter, may transform into a real "death camp" in January-February 1999.

Because of these factors, by the end of 1998, the human potential of Russia was, without exaggeration, half destroyed. The prospects for 1999-2000, however, even for an optimistic scenario, which supposes absence of social unrest and large-scale epidemics, are even grimmer. This period may well see additional, and maybe very significant,

population decrease as the result of lack of food, fuel, medicine, a reduction of living standards to the "century old" level as a result of economic destruction and the further reducing of the state social role almost to zero, and a final devastation of the medical service and education system. By the year 2000, Russian human potential may be irreversibly destroyed. Only some very large-scale "assistance from outside," including the lifting of Russian debt burden and providing, in addition, many billion dollars for Russian education, medical service, and scientific-technical systems may prevent such development.

By the spring of 1998, it became clear that even such "centralizing" systems as a united power supply system, a united money system, the army, and a legal system based on the Russian Constitution became extremely weak and could not keep Russia together. Disintegration became the unavoidable prospect. Leaders of the Russian Far East regions (mainly along the Trans-Siberian Railroad, and first of all, Khabarovsk governor Ishayev started open discussions about the Far East reestablishing itself as a separate republic. (Stepan 2000)

They attempted to reestablish control over local armed forces. Ishayev published an interview in a Moscow paper that warned Moscow that "the Russian Far East is ready for separation or is separating already." By spring 1998, the influence of Moscow in the Russian Far East was reduced, in practice, to zero. Cessation of attacks on Maritime governor Nazdratenko demonstrated that point perfectly. During the period September 1997 to April 1998, the political-economic elites of the Far Northeast regions had also upgraded their ties to foreign (first of all, US, Japan, Canada, and UK) business circles in the form of raw materials export and investment project realization. Simultaneously, local political elites (especially, inside the "Eastern Arc") did their best to establish strong ties to the governors of Alaska and the state of Washington, Hokkaido island, and the British Columbia Province. These trends were continued during the period May-August 1998.

In face of so many disparities it is very obvious for someone to wonder as to what makes the country still so united.

In this absence of strong, organized centers of power, with the central state growing ever weaker, what holds the country together? There are several factors, including:

- *Geography.* Simply put, Russia is located a long way from any place that matters outside the former Soviet Union. Only 12 of 89 regions border on a country that was not once part of the Soviet Union (Murmansk and Leningrad Oblasts and Karelia border on Finland or Norway; Kaliningrad Oblast borders on Poland; the Altay Republic, Tuva, Buryatia, Chita and Amur Oblasts, the Jewish Autonomous Oblast, and Khabarovsk and Primorskiy Krays border on China, Mongolia, or North Korea). In addition, Sakhalin Oblast, an island, lies close to Japan. By contrast, all of the 15 constituent republics of the Soviet Union bordered on foreign countries or open seas. As a result, the overwhelming majority of regions, should they declare themselves independent, would find themselves isolated within Russia or the former Soviet Union. This acts as a major disincentive to secession. (Ross 2002)
- *Economic Infrastructure.* The so-called "natural monopolies," Gazprom (the giant gas monopoly), RAO YeES (the United Power Grid), and the railroads, all have networks that link the country together, as does the river transport system. Those areas not served by these networks are isolated regions in the Far North.
- *Production Processes.* Most Russian enterprises operate on the basis of inputs from other Russian firms. The financial meltdown of August and the subsequent three fold devaluation of the ruble have reinforced this tendency by greatly increasing the cost of imports. As a general rule, the more technologically complex the production process, the more extensive the territory from which inputs are drawn. Airplane construction, for example, depends on inputs from dozens of firms across Russia; brick production is a local matter. In addition, in an

economy increasingly dependent on barter, enterprises have been compelled to devise complex networks within Russia (or, more broadly, within the CIS) both to sell their goods and acquire inputs.

- *Fiscal and Monetary System.* Most Russia's regions depend on transfers from the federal government to fund their activities. In 1997 only eight regions did not receive money from the federal Fund for the Financial Support of Subjects of the Federation, although even these received funds for federal programs carried out on their territory.
- Moreover, despite repeated threats by regional leaders to withhold taxes from Moscow, doing so has proved difficult in practice. Meanwhile, the demonetization of the economy both fragments the economic space and isolates regions from the outside world.
- *Political Structures.* The Constitution provides a framework for governing the country, even if most bilateral agreements between Moscow and individual regions, many regional charters, and much local legislation violate constitutional provisions. These violations are better seen not as challenges to the country's unity but as part of a multifaceted negotiation on building federal structures. Regional leaders speak primarily of the proper balance of power between Moscow and the regions, not of independence. (King 1982)
- *Party-list voting* for the State Duma also tends to unify the country, because regional parties are forbidden to participate. Moreover, the one party with a dense countrywide network and a mass following, the Communist Party, supports a strong central state.
- Finally, *power is dispersed across the country.* Unlike the Soviet Union and other countries that have broken up, Russia lacks two or more organized major centers of power vying for control of the country (which at the extreme could lead to civil war)

or seeking to set up independent states. There are no significant separatist forces outside of Chechnya and, perhaps, Dagestan, but even the formal independence of either of those regions would not tear the country apart. Tellingly, major regional figures, such as Moscow Mayor Luzhkov, Krasnoyarsk Governor Lebed, Orel Governor Stroyev, and Saratov Governor Ayatskov, harbor ambitions to become president or at least influential players in national-level politics.

Most of the conditions listed above were, of course, true for the Soviet Union; nevertheless it broke up. Why should Russia's fate be any different? The reason lies in two areas: political will and the international environment. (Friedrich 1968, Jeong Ho- Won 1999)

- As polls consistently demonstrate, the overwhelming share of the population and elites of Russia wants to live in a Russian state. To the extent that Russians do not recognize the Russian Federation as their country, it is because they believe Russia is something larger--including much, if not all, of the former Soviet Union--not because they want to see the Federation collapse.

In large part, this sentiment is a consequence of a common history, culture, and customs. Russia is an ethnically homogenous state, much more so than the Soviet Union was. For example, according to the last census (1989), ethnic Russians accounted for just over 50 percent of the Soviet population; they account for over 80 percent of the Russian population. Muslims accounted for about 18 percent of the Soviet population but only 8 percent of Russia's population.

Moreover, ethnic Russians are the largest ethnic group in all but 11 of the 32 ethnically based subjects of the Federation. They form an absolute majority in 18.

- As for the international environment, there is no outside power that is prepared to exploit Russia's weakness and interfere aggressively inside the country, and no such power is likely to emerge for several years at a minimum. In part, this is so because

perceptions of Russia's weakness lag behind realities. Russia still enjoys a reputation for power among its neighbors, and the conventional wisdom is that Russia will eventually regain sufficient power to back its Great-Power pretensions. The large nuclear arsenal, although deteriorating, still serves as a symbol of power sufficient to deter major outside intervention.

- In addition, most of Russia's neighbors are focused on their own domestic agendas rather than external expansion (for example, Iran and China) or on rivalries with states other than Russia (for instance, Pakistan and India). Some states (for example, Turkey, Iran, and Saudi Arabia) are undoubtedly fishing in the muddy waters of the Caucasus, including territories within the Russian Federation, but their strategic goals are limited to the Caspian region and Central Asia. There is little desire--or capacity--to penetrate further into Russia. In sharp contrast to the way outsiders exploited the Baltic and Ukrainian nationalist movements to undermine the Soviet Union, any outside group that might seek Russia's dismemberment lacks such potent levers to use inside Russia today.
- Finally, no major power sees the breakup of Russia in its interests, even if many may see benefits from a weak Russia. The United States and Europe are already concerned about the implications of Russia's weakness for the safety and security of weapons of mass destruction and the materials to build them and about the potential for major instability in Russia, which would inevitably spill over into Europe. Russia's breakup would only exacerbate both those problems. For its part, China is seeking to build partner-like relations with Russia, both because of the technology transfers it hopes to receive and because it believes it can use Russia to help counter US ambitions in East Asia.

Russia has always held surprises for those bold or foolish enough to predict its future. Few observers foresaw the demise of the Soviet Union a decade in advance, and many thought it unlikely even as little as a year or two before it occurred. Many Western observers failed to realize the country was in decline, although that was the reason Gorbachev and his allies



began the effort to reform it. Now the situation is even more complex. Both Russia and the world are changing rapidly as the world adjusts to the end of the Cold War and deals with the ramifications of economic globalization. Much can occur--and some undoubtedly will--that will upset even the best argued forecasts. (Keating 1999, De Villiers 1994) Nevertheless, a few judgments appear to have good chances of standing up over the next decade:

- First, Russia is unlikely to break up. Domestic conditions and the international environment militate against such a development, and changes in either that would lead to the contrary outcome themselves appear unlikely.
- Second, if, contrary to expectations, Russia does break up, it will not break up in the way the Soviet Union did. The Soviet Union was undone by movements for national self-determination, unleashed by the loosening of political restraints Gorbachev deemed necessary to modernize the economy, and Moscow's unwillingness to use massive force to restrain them. National self-determination is not a grave threat to the unity of the ethnically homogenous Russia.
- Third, Russia's weakness vis-a-vis the outside world is a greater threat to its unity than any domestic divisions. In other words, Russia is more likely to be pulled apart than to break up, however unlikely either development might seem at the moment. Consequently, outside perceptions of what is happening in Russia will be a critical factor in determining its future.
- Fourth, the most likely scenario for Russia over the next decade is further muddling down. But muddling down to what? The question is not trivial, because the way Russia muddles down will have significant consequences for its longer term future and its role in the world. The key question will be how and where power is concentrated, if it is concentrated at all.

If power is not concentrated, if it continues to fragment and erode then Russia is on the path to becoming a failed state. That will increase the chances that Russia will break up over the

longer run; it will raise grave risks for any nonproliferation regime. These issues are well recognized in the West. Little attention has been given, however, to another matter. Such a development would mark a tectonic shift in geopolitics. There would be considerable opportunity costs because Russia would be lost as a power that could help manage the rise of China in East Asia, stabilize Central Asia, and consolidate Europe and manage its emergence as a world power.

If power is concentrated, that can happen either in Moscow (or one other place) or in several regions. In the first instance, Russia would be repeating its historical pattern of recentralization after a period of weakness, drift, and chaos. Recentralization, the return to a unitary state, would almost inevitably entail a resort to more authoritarian methods of governance, as it has throughout Russian history. Whether it could generate an efficient economy is another matter. Much would depend on how open such a Russia would remain to the outside world.

The second path would mark a radical break with Russian history and provide the opportunity for building a genuine federation. It could also lead to the peaceful augmentation of the Federation through the voluntary ascension of regions from other former Soviet states. Like Russia, all these countries are suffering from weak government; all are experiencing their own forms of fragmentation and erosion of power. Should Russia appear to be rebuilding itself in a way that guarantees considerable local autonomy while promising the benefits of economies of scale, many regions might be tempted to join it, especially in Belarus, eastern Ukraine, and northern Kazakhstan, which enjoy considerable historical, ethnic, and cultural ties to Russia? Such a federation could, much like the United States although not at the same level, build a prosperous domestic economy while creating the capability to project considerable power abroad.

Over the past year and a half, the internecine struggles for control of the central government among competing Moscow-based political/economic coalitions, most notably the vicious conflict between groups led by privatization mastermind Chubays and media magnate

Berezovskiy, fueled public cynicism about the Center. At the same time, Yeltsin's deteriorating health, both physical and mental, has reinforced pervasive doubts about the Centre's strength and will.

In short, the Center now has only a minimal capacity to mobilize--or extract--resources for national purposes, either at home or abroad, and that capacity continues to erode. The Centre's weakness is now generally recognized in the West, and much attention has been focused on regional heads and the leaders of major financial-industrial groups, or the so-called "oligarchs," as the real holders of power. This view, however, tends to exaggerate the role of both the regional heads and the oligarchs and overlooks the great disparities in power relationships across Russia. Regional heads may be the most powerful at the regional level, but their power is limited by local elites, much as the president is constrained by national and regional elites.

The mayors of administrative centers, especially if popularly elected, and the heads of major enterprises, particularly if they provide the bulk of funds to the regional budget, often act as effective counterweights to governors or republic presidents. The electoral cycle from September 1996 through February 1997 provided a graphic illustration of these limits: Incumbents won only 24 of 50 elections. Similarly, the oligarchs have been facing growing competition from regional businessmen for well over a year. The financial meltdown of August and the ensuing economic turmoil have further undermined their positions, in part because their banks were heavily invested in the GKO market unlike most regional banks.

Moreover, regional leaders have not capitalized on their newfound possibilities by developing joint positions vis-a-vis the Center. The eight inter-regional associations have been noteworthy primarily for their lack of concrete actions. The Federation Council, where the regional leaders sit ex officio, has not developed the corporate identity the State Duma has. Regional leaders prefer to spend their few days in Moscow each month not debating legislation but individually lobbying government officials for funds for their regions.

Although dozens of agreements have been signed between regions, economically and politically they are growing increasingly isolated from one another.

For example, according to one study, only a quarter of a region's product is sent to other Russian regions, slightly less is exported abroad, and the rest is consumed locally. Similarly, regional media, which are now successfully competing with Moscow-based national media for local audiences, are extremely difficult to obtain outside of the area where they are published, while regional TV generally has quite limited coverage.

Indeed, for most regional leaders, the preferred channel of communication is the vertical one with Moscow not the horizontal one with their colleagues. They have focused on signing bilateral treaties with Moscow delineating powers suited to their own situations, rather than on developing a uniform set of rules governing federal relations. This has led to the creation of what is commonly called an "asymmetric federation." This focus on relations with Moscow is understandable, given that most regions depend on transfers from the Center to meet their budgetary needs and that they must compete aggressively for the dwindling funds the Center can allocate.

The institutions of coercion are in abysmal conditions. A combination of slashed budgets, neglect, corruption, political infighting, and failed reform has put the military on the verge of ruin, according to a leading Duma expert on the military. The Ministry of Internal Affairs (MVD), Russia's police force, is universally considered to be deeply corrupt and ineffective. Even the Federal Security Service (FSB), the successor to the once feared KGB, has faced serious budget constraints and experienced a sharp decline in its ability to monitor and control society.

Moreover, the Center does not enjoy the monopoly over the legitimate institutions of coercion it once did, nor does it necessarily reliably control those nominally subordinate to the Center. Military commanders are known to cut deals with regional and local governments in order to ensure themselves uninterrupted supplies of energy and provisions. Some military

garrisons are supported with money from local entrepreneurs. Military officers and MVD and FSB officials routinely moonlight to earn extra income--or to cover for unpaid wages. As a result, the loyalty of the institutions of coercion to the central government--even of the elite units around Moscow--is dubious. This does not mean that they would carry out the will of local leaders--there is little evidence that they would--but rather that they would not necessarily defend the central government in a crisis.

As is the case with the institutions of coercion, the national financial system is in a shambles. It has collapsed for several reasons, including the Centre's inability to collect taxes from both firms and individuals and its effort to cover the budget deficit through foreign borrowing and the issuance of various domestic debt instruments that amounted to little more than a massive pyramid scheme. The Center has not been able to meet its budget obligations for the last several years; in particular, wage arrears to budget workers, including soldiers, doctors, teachers, and other professionals, is a persistent problem.

The sharply devalued ruble remains the national currency, but the overwhelming majority of commercial transactions, up to 75 percent by some estimates, take place outside the monetized sector, in the form of barter or currency surrogates.

Finally, for the first extended period in modern Russian history, the Center is neither feared nor respected. The lack of fear is evident in the pervasive tax and draft evasion, as well as in such mundane matters as the widespread nonobservance of traffic regulations. The lack of respect is evident in the general disregard for national holidays and monuments and the pervasive public distrust of high-ranking government officials and central government institutions, repeatedly recorded in public opinion polls.

Russia has much to learn from other developing federations. First, for successful development, it needs a federal structure of government, as the country is too large and too diverse to be a unitary state. Second, effective operation of Russia's federalism is possible only if there is a strong political "vertical," which would limit inefficient regionalist policies of individual subjects. However, creation of the administrative

vertical by abolishing regional elections, as Putin did, has created two major problems for Russia: (1) inadequate provision of public goods in the absence of accountability of local governments to the local population, and (2) complete dependence on the utopian assumption of honesty and self-limitation of federal authorities, without which administrative federalism is unsustainable.

Even in the zero-probability event that a “Russian miracle” occurs in the absence of political competition, just as in China, there will always be a great danger that officials focused on the welfare of the population will be replaced at some point by those focusing mainly on their own well-being. Therefore, long-term success of federalism in Russia depends hugely on promoting democracy at all levels. Russia has a long way to go in establishing democratic institutions (and so far the trend has been in the opposite direction), but it is the only way for Russia’s federalism to work.

This empirical study brought forth the interesting fact that popular legitimacy has increased the bargaining power and influence of regional executive leaders at the federal level. They have been able to transform political strength and authority at the regional level into political clout when they have interacted with representatives of the federal legislative and executive power structures and the federal business elite. This was possible at a point of time, 2003, when over six years had passed since practically all the regional chief executives became elected by and responsible to their regional constituencies.

The majority of the regional leaders were nominated and appointed by the Russian president between 1991 and 1996. Authority at the regional level was reflected by the electoral support regional chief executives enjoyed in the presidential or gubernatorial elections. The empirical results substantiate the assumption that the federal centre has preferred to deal with popular and established regional leaders who have ensured predictability in centre-region relations and who have had greater ability to ensure

political and social stability in the regions. Authority at the regional level should also be associated with the ability of administrative leaders to build alliances with other regional elites. (Sodurlund & Briggs 2006)

Drawing on the success of regional leaders to bargain and negotiate with the federal centre in the bilateral treaty process, Pascal observes that cooperation among elites and popular legitimacy were mutually reinforcing: “as political and economic elites jointly confronted wage and pension arrears, unemployment, and investment, the public offered support by backing candidates and programmes and by avoiding strikes”. Pascal continues by stating that “social stability and popular mandate then permitted leaders to remain in office” (Pascal 2003: 86-87). However, the quantitative analyses in this study showed that the degree of electoral support overshadowed the significance of time in power with regard to the ability to explain the federal-level influence of regional chief executives. As anticipated, leaders of wealthy regions have enjoyed high levels of bargaining power. Thanks to their economic status, they became important partners for the federal centre. Political leaders in charge of federal subjects characterized by, for example, large populations and high levels of industrial development and per capita income have possessed lots of blackmail potential vis-à-vis the federal centre, since they supply a great amount of taxes to the federal budget. However, the positive correlation between size of population and federal-level influence can also indicate the political weight of regions in terms of the number of potential voters who are important at times of national elections.

This chapter has discussed at length all the factors which could have led to the formation of federal government in Russia. The chapter also tries to delineate the legitimacy of the adoption of asymmetrical federalism in the country. Of all the factors which led to the adoption of the Federal Constitution the most significant appears to be the political motives and the aspirations of the leaders both at the central level and the state level. Thus, the hypothesis of this study which states that the evolution of asymmetrical

federalism in Russia is a political response to ethnic diversity, disparity in development and vast geography holds true as far as this study is concerned.



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## ***Appendix 1***

### ***( Constitutional Provisions)***

#### ***Article 65 [Republics]***

*Decree of the President of the Russian Federation No. 841 of July 25, 2003 included a new name of an entity of the Russian Federation - Khanty-Mansiisk autonomous area - Yugra in part of Article 65 of the Constitution of the Russian Federation instead of the name the Khanty-Mansiisk autonomous area . Decree of the President of the Russian Federation No. 679 of June 9 9, 2001 included the new designation of an entity of the Russian Federation - the Chuvash Republic - Chuvashia - in part 1 of Article 65 of the Constitution instead of the designation the Chuvash Republic - Chavash respubliki. Decree of the President of the Russian Federation No. 173 of February 10, 1996 included a new designation of an entity of the Russian Federation - the Republic of Kalmykia - in paragraph 1 of Article 65 of the Constitution instead of the designation the Republic of Kalmykia - Khalm Tangch Decree of the President of the Russian Federation No. 20 of January 9, 1996 included the new designation of an entity of the Russian Federation in paragraph 1 of Article 65 of the Constitution - the Republic of Ingushetia and the Republic of North Ossetia-Alania instead of the designation the Ingush Republic and the Republic of North Ossetia. (Addition has been made through amendment on December30, 2008).*

“ (1) The Russian Federation consists of the subjects of the Federation: Republic of Adygeya (Adygeya), Republic of Altai, Republic of Bashkortostan, Republic of Buryatia, Republic of Dagestan, Republic of Ingushetia, Kabardin-Balkar Republic, Republic of Kalmykia -- Khalmg Tangch, Karachayevo-Cherkess Republic, Republic of Karelia, Republic of Komi, Republic of Mari El, Republic of Mordovia, Republic of Sakha (Yakutia), Republic of North Ossetia-Alania, Republic of Tatarstan (Tatarstan), Republic of Tuva, Udmurt Republic, Republic of Khakasia, Chechen Republic, Chuvash Republic -- Chavash Republics; Altai Territory, Krasnodar Territory, Krasnoyarsk Territory, Maritime Territory, Stavropol Territory, Khabarovsk Territory; Amur Region, Arkhangelsk Region, Astrakhan Region, Belgorod Region, Bryansk Region, Vladimir Region, Volgograd Region, Vologda Region, Voronezh Region, Ivanovo Region, Irkutsk Region, Kaliningrad Region, Kaluga Region, Kamchatka Region, Kemerovo Region,



Kirov Region, Kostroma Region, Kurgan Region, Kursk Region, Leningrad Region, Lipetsk Region, Magadan Region, Moscow Region, Murmansk Region, Nizhny Novgorod Region, Novgorod Region, Novosibirsk Region, Omsk Region, Orenburg Region, Oryol Region, Penza Region, Perm Region, Pskov Region, Rostov Region, Ryazan Region, Samara Region, Saratov Region, Sakhalin Region, Sverdlovsk Region, Smolensk Region, Tambov Region, Tver Region, Tomsk Region, Tula Relation, Tyumen Region, Ulyanovsk Region, Chelyabinsk Region, Chita Region, Yaroslavl Region; Moscow, St. Petersburg -- federal cities; Jewish Autonomous Region; Aginsky Buryat Autonomous Area, Komi-Permyak Autonomous Area, Koryak Autonomous Area, Nenets Autonomous Area, Taimyr (Dolgan-Nenets) Autonomous Area, Ust-Ordynsky Buryat Autonomous Area, Khanty-Mansi Autonomous Area, Chukchi Autonomous Area, Evenk Autonomous Area, Yamal-Nenets Autonomous Area. (2) Accession to the Russian Federation and formation of a new subject of the Russian Federation within it is carried out as envisaged by the federal constitutional law.”

***Article 66 [Territories, Regions]***

“(1) The status of a republic is defined by the Constitution and the constitution of the republic in question. (2) The status of a territory, region, federal city, and autonomous region and autonomous area is determined by Constitution and the Charter of the territory, region, city of federal importance, autonomous region, autonomous area, adopted by the legislative (representative) body of the relevant subject of the Russian Federation. (3) A federal law on autonomous region, autonomous area may be adopted at the nomination from the legislative and executive bodies of an autonomous region, autonomous area. (4) Relations between autonomous areas within a territory or region may be regulated by the federal law and an agreement between bodies of state power of the autonomous area and, respectively, bodies of state power of the territory or the region. (5) The status of a subject of the Russian Federation may be changed only with mutual consent of the Russian Federation and the subject of the Russian Federation in accordance with the federal constitutional law.”

***Article 72***

1. The joint jurisdiction of the Russian Federation and the subjects of the Russian Federation includes:

a) providing for the correspondence of the constitutions and laws of the republics, the charters and other normative legal acts of the territories, regions, cities of federal importance, autonomous region or autonomous areas to the *Constitution* of the Russian Federation and federal laws;

b) protection of the rights and freedoms of man and citizen; protection of the rights of national minorities; ensuring the rule of law, law and order, public security and the border zone regime;

c) issues of possession, use and disposal of land, subsoil, water and other natural resources;

d) delimitation of state property;

e) utilization of natural resources, protection of the environment and ensuring ecological safety; specially protected natural territories, protection of historical and cultural monuments;

f) general questions of upbringing, education, science, culture, physical culture and sports;

g) coordination of issues of health care; protection of the family, maternity, paternity and childhood; social protection, including social security;

h) carrying out measures against catastrophes, natural calamities, epidemics, elimination of their aftermath;

i) establishment of common principles of taxation and dues in the Russian Federation;

j) administrative, administrative procedural, labour, family, housing, land, water, and forest legislation; legislation on subsoil and environmental protection;

k) personnel of the judicial and law enforcement agencies; the Bar, notary offices;

l) protection of the traditional habitat and way of life of small ethnic communities;

m) establishment of common principles of organisation of the system of bodies of state authority and local self-government;

*On the general principles of the organization of the legislative (representative) and executive bodies of state power of the subjects of the Russian Federation see Federal Law No. 184-FZ of October 6, 1999*

n) coordination of international and foreign economic relations of the subjects of the Russian Federation, fulfillment of international treaties and agreements of the Russian Federation.

**2.** The provisions of this Article shall be equally valid for the republics, territories, regions, cities of federal importance, autonomous regions or autonomous areas.