

## Domestic Politics and Russia's Foreign Policy

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### Abstract

Domestic power relations—shifting coalitions, changes in Putin's entourage, and struggles for political influence and economic assets—are a form of pluralism in Russian domestic politics. Examining the case of Russia's energy policy in Asia, this article argues that domestic power relations influence Russia's international behavior, particularly the implementation of its foreign policy.

### Dual Nature of Russian Politics

The Russian Federation's political system since the mid-1990s has been of a dualistic nature. Two arenas with two different sets of rules coexist: a public one, governed by formal institutions and constitutional laws, and a factional one, controlled by informal rules and the "administrative regime." Upon taking office, Vladimir Putin attempted to transcend this duality by establishing his personal authority and control in the form of a power vertical (*vertikal vlasti*). This phrase encapsulated the top-down nature of the political process, the "rebuilding" of the Russian state, and the concentration of power in the Kremlin.

Putin's political construction turned out to be relatively stable, surviving generally intact for more than a decade, throughout the presidential succession, the period of the Putin-Medvedev tandem, and the subsequent "job-swap" that returned Putin to the Kremlin. The regime proved to be resilient to the opposition during a few rounds of competitive (though neither free nor fair) elections and two instances of mass-scale political protests (in 2005–2006 and 2011–2012).

On the other hand, the so-called strengthening of the Russian state was accompanied by its simultaneous weakening. The state disaggregated into numerous "verticals," turning into a conglomerate of actors directly or indirectly using state power to advance their parochial goals. Domestic power became divided among particular actors, who competed for political influence and economic assets. Russian domestic politics metamorphosed into a pluralist arrangement. Importantly, however, this pluralism remains limited to actors with concentrated political and economic resources, and thus can be termed the "pluralism of the powerful."

To explain the workings of Russian politics under Putin, experts have come up with a number of interpretations—the administrative regime, Politburo 2.0, the clan system, the network state, *sistema*, the neo-feudal state. This article reconstructs Russian politics through the lens of domestic power relations so as to embrace the complexity of domestic politics and trace its role in Russia's international behavior.

### The Framework of Domestic Power Relations

The first task is to distinguish relevant domestic actors participating in domestic power struggles. These actors—hereafter termed "power-holders"—are individuals and corporate entities endowed with material resources, which give them some level of control over the political, administrative, and economic spheres. Individuals include both those controlling resources due to their position within Putin's regime (e.g. Igor Sechin, Sergei Ivanov), and those owning resources in the private sector (Oleg Deripaska, Gennady Timchenko). The category of corporate entities covers political parties (United Russia), state institutions (Investigative Committee, FSB, armed forces), state-owned enterprises (Gazprom, Rosatom), and private big business (RusAl, LUKoil). Power-holders are assumed to be, on average, rational in the pursuit of political influence and control over economic assets. Consequently, their specific interests and preferences are defined first and foremost by the material resources at their disposal rather than by their particular identities.

The second challenge concerns the arrangements among power-holders. The most important criterion is their relationship to the leader. From this perspective power-holders are divided into four groups: the inner circle, the winning coalition, veto players, and the opposition.

The *inner circle* is a specific group, as it is composed only of individuals whose access to resources depends exclusively on the leader. These power-holders directly shape state policies. Their spheres of influence ("turfs") are determined not by official positions, but by specific privileges, such as: control over personnel, nominations, and financial flows, access to economic rents, control over institutions, and access to the leader. The turfs constitute the object of constant in-fighting and bargaining among the members of this group.

The three remaining groups are composed of power-holders whose resources do not depend directly on the leader and who, as a consequence, retain greater autonomy in their behavior on the domestic scene. The winning coalition gathers the supporters of Putin and the ruling regime. These power-holders remain subordinated to the regime and their interests are promoted in return.

Veto players are neutral towards the regime. They have, however, enough power to block policies which would directly affect their narrowly defined interests. As a consequence these interests are respected by the regime. The opposition is composed of those power-holders who strive to overthrow the regime. Thus, the regime either neglects their interests or acts against them.

Thirdly, the circle of power-holders is prone to changes. New actors can be empowered, while the existing power-holders can be deprived of resources. Power-holders may change their attitude toward the leader, moving from one group to another. The relative balance among power-holders forming a particular group evolves along the lines of competition for political and economic resources.

### The Evolution of Domestic Power Relations in Putin's Russia

In the beginning of his rule, Putin faced a highly disadvantageous domestic distribution of power. The winning coalition was small and deeply divided, veto players dominated and the opposition stood a real chance of gaining power. At that time Putin had no inner circle, since virtually no power-holders were dependent on him.

During his first term, President Putin effectively reshaped domestic power relations. He reduced the number of power-holders, depriving them of the resources they had once controlled. Putin established the United Russia party to serve as the main tool of control over key political institutions. His winning coalition comprised the state bureaucracy, security services and law-enforcement agencies, and the military and the military-industrial complex. Power-holders with economic resources were left beyond the winning coalition, Gazprom and Rosoboronexport being the exceptions. Putin laid the foundation for his inner circle, empowering selected individuals with the supervision of particular state policies; the most prominent of these individuals were: Igor Sechin, Dmitri Medvedev, Sergei Ivanov, and Vladislav Surkov. The oligarchs were warned not to engage in politics, which in practice relegated them to the position of veto players. The outright opposition was represented by the right-wing political parties Yabloko and the Union of Right Forces (SPS), and by Mikhail Khodorkovsky, the owner of Yukos. The attack against Khodorkovsky, launched towards the end of Putin's first term, marked a new phase in the evolution of domestic power relations.

The most important developments after 2003 encompassed the increase in the number of new power-holders, the broad inclusion of economic power-holders into the winning coalition and the strengthening of the inner circle. Coalitional power-holders were strengthened to the detriment of the veto players or the opposition. New corporate entities were created and empowered with eco-

nomical resources under the aegis of the need to strengthen the Russian state. Another way was the *de facto* privatization of state assets by handing them over to non-state power-holders, usually people closely associated with Putin. Simultaneously, Putin's inner circle gained strength with the empowerment of old members, such as Finance Minister Alexei Kudrin, and new individuals, such as Defense Minister Anatolii Serdyukov. These power-holders obtained control of state policies as well as the state's economic assets. Some of the inner circle members—as Dmitri Medvedev or Igor Sechin—had broad but imprecisely defined spheres of influence which led to competition among them. Others were given “sectoral” responsibilities, e.g. Anatolii Serdyukov, responsible for the military reform.

Towards the end of Putin's second term, power struggles within the winning coalition and the inner circle became the center of gravity for Russian domestic politics. Power-holders with political, administrative and security-related resources were balanced by those with economic resources. The role of the inner circle grew as its members increased their political influence and control over particular sectors of the Russian economy. Veto players, meanwhile, ceased to exert any meaningful influence, having been either disempowered or coerced into the winning coalition. The opposition lacked power-holders and remained in disarray.

The subsequent period of the “tandem”—which started in 2008 with Dmitri Medvedev's presidency and Putin's prime-ministership—was characterized by contradictory trends in the evolution of domestic politics. On the one hand, the apparent liberalization of the political system, coupled with the modernization and privatization agenda, were intended to reduce the number of power-holders. This would limit the “pluralism of the powerful” and broaden the leadership's room for maneuver. On the other hand, the struggles over economic assets within the winning coalition and the inner circle intensified. Certain members of the winning coalition (e.g. oligarchs Gennady Timchenko, the Rotenberg brothers and the Kovalchuk brothers), were significantly strengthened at the expense of other coalition members, such as Gazprom, or by transferring state property to them. The inner circle became even more internally divided. Sechin, who aspired to control the energy sector, was among the most aggressive in expanding their turfs. Neither veto players nor the opposition managed to capitalize on Medvedev's agenda in any durable way.

Putin's third term has so far led to two key developments: the serious weakening of the inner circle and the strengthening of selected members of the winning coalition. Putin re-arranged his entourage, disempowering over the course of two years several key power-

holders: Kudrin, Serdyukov and Surkov. Despite being nominated prime minister, Medvedev was also seriously weakened. These moves broadened Putin's autonomy and diminished the overall importance of the inner circle. At the same time, Sechin gradually increased his control over the energy sector and rose to the position of key power-holder within this group. The dismissal of Serdyukov allowed the military to regain part of its influence and autonomy. The general weakening of Putin's popular legitimacy and some discontent among the elites following his return to the presidency did not lead to any meaningful reshuffling among the winning coalition, veto players and the opposition. Particular power-holders preferred to secure their positions within the winning coalition rather than to risk openly challenging Putin. The protest movement which emerged in the wake of the Duma 2011 elections did not transform into a political power-holder. The annexation of Crimea and the Ukrainian crisis weakened the protest mood and significantly, even if temporarily, strengthened Putin.

### Russia's Energy Policy towards Asia

The case of Russia's energy policy in Asia illustrates how evolving domestic power relations have been influencing Russia's foreign policy. Sechin, the strongest participant of Putin's inner circle, has consistently promoted cooperation with Beijing, which offered him numerous opportunities to broaden his scope of influence. He turned out to have a decisive voice when it came to implementing Russia's energy strategy in Asia.

Russia's long-term goal was to diversify energy exports to Asia. In the mid-2000s, Moscow struggled to incite Sino-Japanese rivalry over access to Russian resources and oil transportation routes but the economic crisis of 2008–2009 forced it to give up this idea. Russia agreed on the East Siberia–Pacific Ocean (ESPO) pipeline's branch to China. Rosneft and Transneft signed

a contract with the China National Petroleum Corporation (CNPC). Russian companies committed to deliver 300 million tons of oil over a period of twenty years. In return, the Chinese side credited Russian companies with loans of US\$15 and US\$10 billion.

Russian–Chinese energy cooperation intensified. Occasional disputes over oil prices and volumes did not discourage either Sechin or Rosneft. In 2013, the second breakthrough in Russian–Chinese oil trade was achieved. Rosneft signed a series of new multi-billion dollar contracts with CNPC and Sinopec. Taken together, the contracts have tripled the amount of oil to be sent to China. By 2020, Russia may be expected to supply 56 million tons of oil per annum. It means that about 75 percent of Russian oil exported to Asia will reach no other state but China.

This contradicted Russia's strategy of export diversification and led to the dependence on one customer—China. The oil sector is controlled by Sechin and he was the one who decided to “put all of Russia's eggs into the Chinese basket.” Rosneft needed additional capital to finalize the takeover of TNK-BP, the cost of which was estimated at US\$45 billion, and the Chinese companies offered prepayments. Sechin's ambitions reach even farther than just oil exports. He demanded that Rosneft, which is also a gas producer, receive access to a new gas pipeline, which is to be built by Gazprom from Russia to China, following the contract signed in Shanghai in May 2014.

This case illustrates that domestic power relations are an important element of Russia's foreign policy-making. The evolving distribution of political and economic power under the surface of Putin's leadership influences Russia's international behavior to a significant extent. Domestic actors are capable of altering existing strategies in the process of policy implementation so that they reflect their own parochial interests.

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#### *Recommended Reading*

For an extended analysis of the role of domestic politics in Russia's foreign policy, see: Marcin Kaczmarek (2014) “Domestic Power Relations and Russia's Foreign Policy,” *Demokratizatsiya*, Vol. 22, No. 3, pp. 383–410.