



THE POLITBURO 2.0 AND THE ANTI-ESTABLISHMENT WAVE



Summer 2019

This report is based on the results of non-formalised expert interviews with representatives of the Russian political class. The expert panel was formed in 2012 and has been regularly updated since then, currently totalling more than 100 experts.

CONTEXT

In our anniversary report on Politburo 2.0, published in August 2017¹, we made several forecasts, which were verified in the following two years.

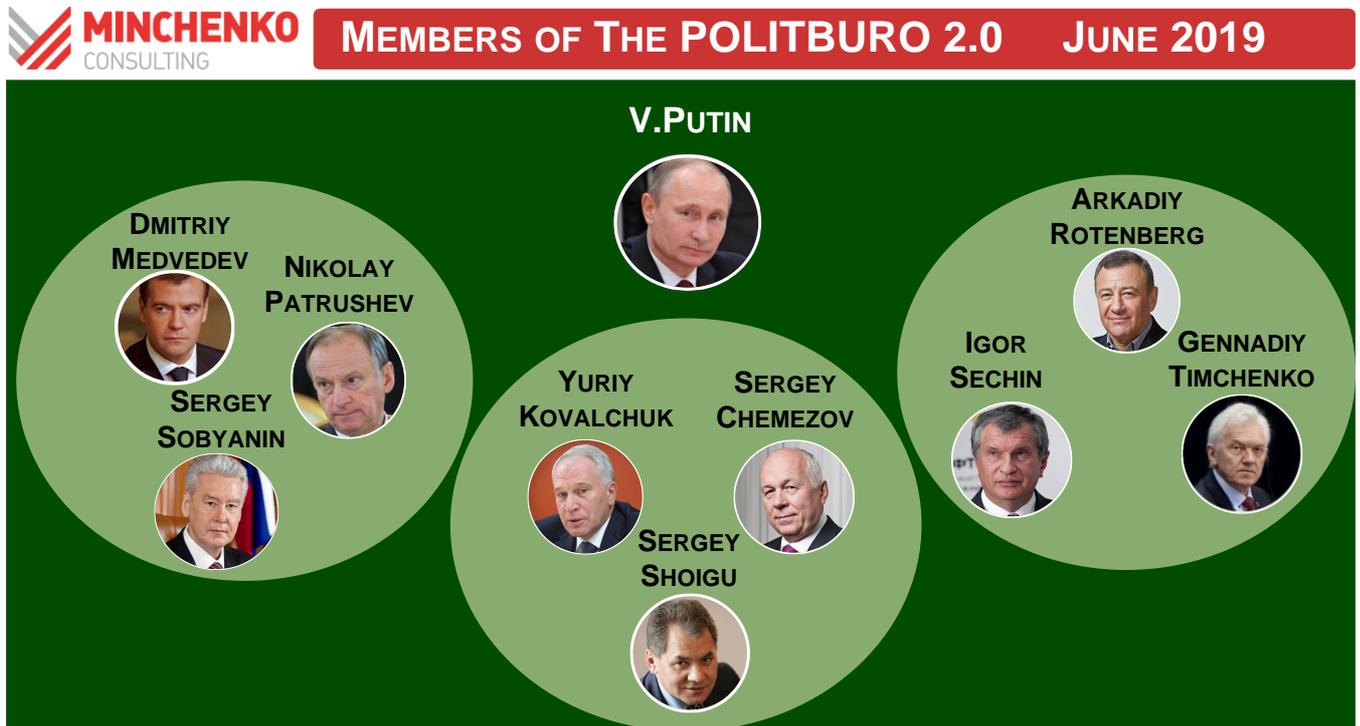
The Politburo 2.0, an informal decision-making structure that has developed around Vladimir Putin, has been preserved after the 2018 presidential election. The composition of the Politburo 2.0 has been undergoing a gradual rotation. The key changes to date include the entry of Nikolay Patrushev, the secretary of the markedly strengthened Security Council, into full Politburo 2.0 membership, the return of businessman Gennadiy Timchenko, the preservation and strengthening of positions of Igor Sechin and Arkadiy Rotenberg, the transition of the State Duma Speaker Vyacheslav Volodin to the rank of candidate member, as well as a decrease in the number of candidate members, mostly due to the weakening influence of the representatives of large private companies. Only players serving as supervisors of significant industries and projects remain in the major league of the Russian political elite.

Further deterioration of Russia's relations with the West, as we had forecast, pushes the Politburo 2.0 to opt for the mobilisation scenario. This entails an increase in the role of the Security Council's apparatus, which is becoming the fourth element of the "Big Government"² – alongside the Presidential Administration, the government per se and the key state corporations.

¹ Minchenko Consulting's report *Politburo 2.0: Renovation Instead of Dismantling*, published in August 2017, can be accessed at: http://minchenko.ru/analitika/analitika_74.html

² Minchenko Consulting's report *Vladimir Putin's Big Government and Politburo 2.0*, published in August 2012, can be accessed at: http://minchenko.ru/analitika/analitika_27.html

Chart No.1. Members of Politburo 2.0



State and quasi-state companies are being promoted to enter new sectors of the economy, including the formation of some markets from scratch (for example, the new waste treatment industry), while resources and markets are being redistributed from private companies and regional elites in favour of members and candidate members of the Politburo 2.0. Even modernisation projects are supposed to be implemented under either government programmes or corporate procedures. **The corporate approach is being transplanted into the field of politics. In political governance, the emphasis is made not on encouraging political competition, but on the selection and training of new technocratic personnel.**

The government's policy of delegating managers to the regions where they do not have relevant links with local elites has several goals. These include test-driving the appointees for future administrative careers at the federal level, preventing the formation of a regional Fronde, overcoming regional resistance to the expansion of federal power groups into regions, and reducing separatist potential. The wave of replacement of the heads of national republics and the elimination of corruption rings has reached the most problematic region in this regard, the North Caucasus. In particular, Dagestan has been placed under de facto external administration.

Vladimir Putin's fourth-term programme (the May Decree and national projects) was established in just-in-time fashion and created **a new area of competition among influence groups for its interpretation and implementation.** As we anticipated, **the reshuffled government, formed**

in May 2018, **very quickly became ‘the government of unpopular reforms.’** This image was stimulated by amendments to the pension benefits legislation, which were promoted by the authorities and significantly dented their ratings. The three largest polling centres (VTsIOM, FOM and Levada) registered a trend of decreasing approval of both the government in general and Prime Minister Dmitry Medvedev in particular during the past year (between May 2018 and May 2019), as well as the prevalence of negative feedback over positive³.

The downgrade in the authorities’ ratings led to the beginning of an active discussion about the patterns of power transition in 2021-24 already by the first year of Vladimir Putin’s six-year presidential term. It is significant that the overwhelming majority of transition scenarios discussed within the political elite revolve in one way or another around the role of Vladimir Putin in the new configuration of power that will emerge after 2024. One of the options is the usage of the power transition in Kazakhstan (a transfer of curtailed presidential powers to the successor while establishing a new status position and preservation of a high informal influence of the former president).

The new conflicts we have predicted around the perimeter of Russia manifested themselves in Armenia (a “velvet revolution”), Belarus (the crisis of the integration project) and Ukraine (the victory of a “new type of politician” by Vladimir Zelensky in the presidential election). At the same time, the power transition in Uzbekistan and Kazakhstan has been relatively smooth for the time being.

The anti-establishment wave is becoming a serious challenge for elites all over the world and it has reached Russia⁴. The authorities faced a series of high-profile defeats at regional elections and protest demonstrations, regarding both the federal and regional agenda. **A stable demand for a new type of politician has emerged in society, a demand which, at the moment, neither the government nor the opposition are fully meeting.**

It is precisely the anti-establishment mood that will become a key challenge for the Russian elite, since the methods of its mitigation familiar to the authorities (anti-nomenklatura rhetoric of the President and his appointees among governors, resounding resignations and recruitment of new personnel, anti-corruption campaigning) are currently close to exhausting their efficiency.

3 Sources: <https://wciom.ru>; <https://www.levada.ru>, <http://bd.fom.ru>.

⁴ Minchenko Consulting’s report *New Political Reality and the Risks of an Anti-Elite Wave in Russia*, published in October 2018, can be accessed at: http://minchenko.ru/analitika/analitika_77.html

EXTERNAL PERIMETER: MANOEUVRING IN THE CONDITIONS OF UNCERTAINTY

The gap between Russia's low contribution to global GDP and its claim to the role of one of the key global powers sets a challenging task for the Russian authorities to significantly increase its resource potential within a relatively short time. In terms of design, it is being approached by several methods:

1. Pumping up one of the types of resources (military and military-industrial), which enables an asymmetric response to external pressure and increased influence abroad through the export of arms (Chemezov, Shoigu);
2. Presence in critical hotspots of tension, thus forcing other players to reckon with Russia (the Middle East, Latin America – above all, Syria and Venezuela, Africa). Increasing the number of simultaneously played 'geopolitical chess games' with the possibility of trade-offs (Shoigu, Lavrov, Ushakov, *siloviki* – senior security services officers);
3. Usage of non-state actors for attaining goals (for instance, PMCs in Syria);
4. Expansion of its periphery (the Eurasian project, attempts to reformat the relations with Belarus – Putin personally, Medvedev, Siluanov);
5. Implementation of demographic policy, in addition to the measures of material incentives for stimulating birth rate, by encouraging immigration and "passporting" of inhabitants of unrecognised republics of Donbass;
6. Rivalry over transport infrastructure and new trading routes (gas pipelines, the Arctic, LNG supplies etc. – Timchenko, the Kovalchuks);
7. Selection of critical new technologies and the launch of special projects for their development (Siluanov, Manturov, Kovalchuk, Kiriyenko, Gref);
8. Large-scale investment in infrastructure and social welfare (so-called "national projects" – all members of the Politburo 2.0).

At the first glance, the situation with the "Greater West" looks relatively favourable for Russia in the first half of 2019.

- An investigation into alleged Russian interference in the 2016 US presidential election did not bring the results expected by its initiators (i.e. confirmation of collusion between Russian authorities and Donald Trump) and allows President Trump to launch a counter-offensive against his political opponents. At the same time, the assertion that Russian authorities tried to interfere in the political process in the United States (with different assessments of the objectives and the effectiveness of this interference) is mainstream for the American political elites, and this becomes a serious constraint for normalising relations between the two countries;
- The trade war developing between the United States and the PRC potentially creates additional opportunities for Russian elites for foreign-policy manoeuvring. However, the role of Russia as the beneficiary of this dispute is not clear. First, a trade war can lead to a slowdown in the global economy, and this is a threat to the oil price that is critical for the Russian economy. Secondly, none of the parties is willing to attract the Russian Federation on its side on favourable terms;
- The linkage of European elites to US foreign policy and defence within NATO remains. However, pan-European sanctions against Russia are caused more by fears of further de-

securitization of Eastern Europe than a desire to restrain Russia in all directions similarly to the Cold War period. The opportunities for increasing the European Union's agency are still limited. On one hand, the EU is hampered by a crisis of centrist political forces that garnered a very modest result in May elections to the European Parliament. On the other hand, within the EU, the conflict between the core and the periphery is only growing, with strong Euro-skeptics at the periphery, while left and right populists control the governments or are close to it. Brexit, on the contrary, shows that Germany, France and Benelux countries are feeling comfortable in negotiations with the United Kingdom and conducting them from a position of strength. Moreover, the situational success of Green parties and liberals (ALDE) in the European elections could potentially give a new impetus to European integration due to the more ideological pro-European positions of supporters of these parties;

- The “climate agenda” is a serious challenge for the Russian economy, which is dependent on the demand for hydrocarbons. Despite Trump's scepticism about the Paris agreement and the topic of global warming, environmentalist activism is gaining momentum in the European Union and the US (the Green New Deal proclaimed by the radical wing of the Democratic Party).

The “national egoism” policy of the Trump administration makes it easier for Russia to build relationships with regional leaders such as Turkey and Israel, as well as with Arab countries. Currently, under the OPEC Plus agreement (supervised by the president and Energy Minister Alexander Novak personally) Russia manages to keep oil prices at an acceptable level, which helps ensure budget surplus.

At the same time, **the implementation of the “Pivot to the East” is coming to a halt** – it has not been possible to drastically increase the volume of economic cooperation with China, whereas the idea of concluding a peace treaty with Japan, which would give impetus to Japanese investment in the Russian economy, is not being implemented at this stage because of the both side's tough bargaining stance.

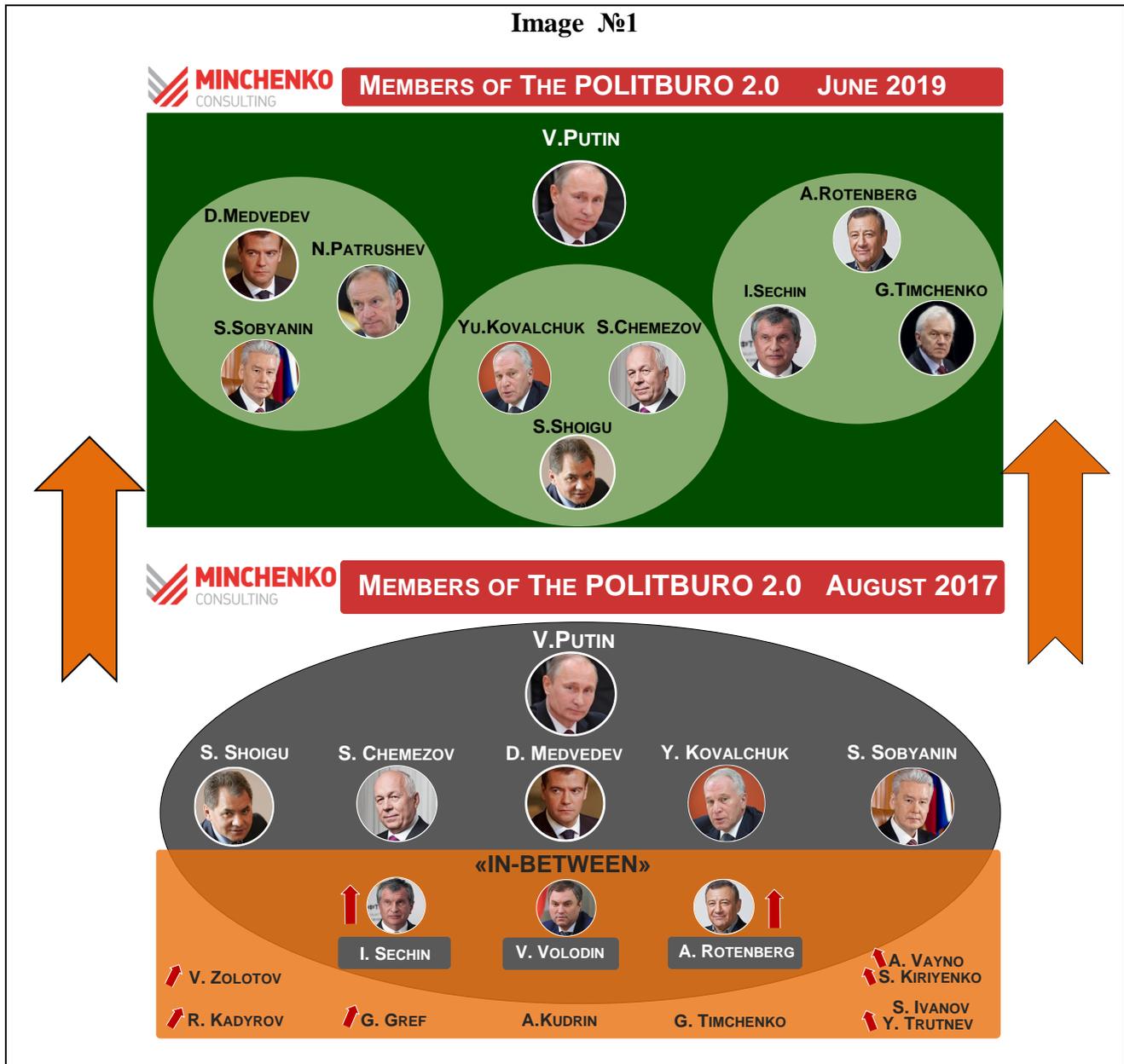
Russian businesses turn out vulnerable to targeted US sanctions, as is shown by the case of Rusal, where the introduction of external control has been allowed to preserve the company.

The toxic halo, persisting around any informal contacts with representatives of US elites (the most salient example is the case of Maria Butina), enhances the role of security services in contacts between countries. In addition, the niche of state-to-state communication creates new opportunities for building up a resource of influence and communication with the Russian president for speakers of both parliament chambers and top MPs.

WHO REMAINS IN THE PRESIDENT'S CLOSE CIRCLE?

In 2018-2019, Putin's Politburo 2.0 continued to function as the most influential informal political institution in Russia. Politburo 2.0 includes people from Vladimir Putin's inner circle who are capable of accumulating significant resources, managing them and creating their own networks of influence. As before, formal positions within the state structure are important, but they are not decisive in assessing the political influence of the leaders of elite groups within Putin's Politburo 2.0.

In our previous public report, we stated that Politburo 2.0 entered an area of turbulence. Uncertainty appeared in the positions of several members and candidate members of the Politburo; a number of them fell into the “transition zone”. This phase logically ended after the evident preservation of the positions of Igor Sechin and Arkadiy Rotenberg, the status ‘chess castling’ of Volodin and Timchenko, and the growth of influence of Nikolay Patrushev. As a result, in May 2019, we highlight nine full members of the Politburo 2.0 (see Image 1 below).



Gennadiy Timchenko returned to Politburo 2.0. The representation of his allies in the executive branch is growing, while economic projects are successfully developing, despite the restrained discontent of the state gas monopolist. The key megaproject that Gennadiy Timchenko is

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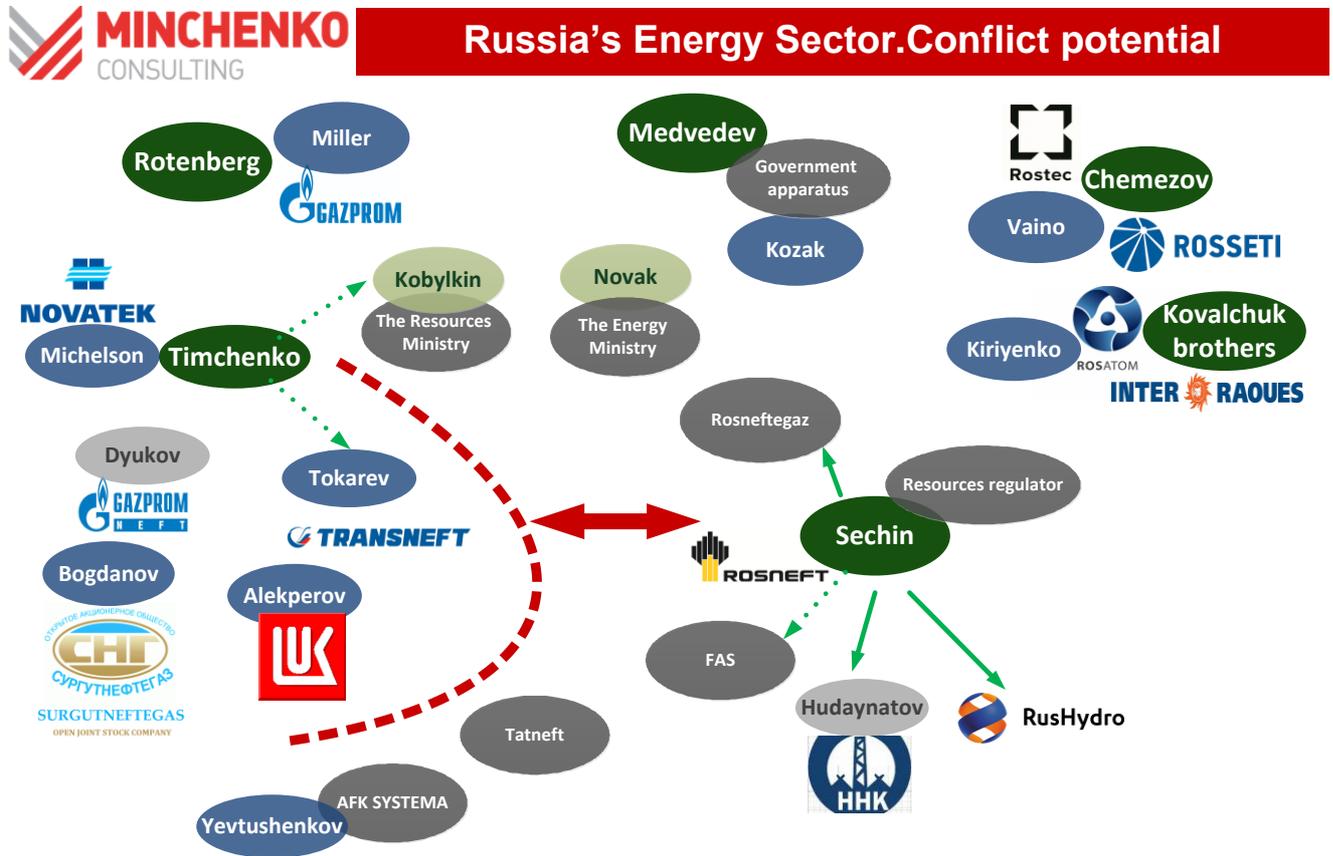
promoting is the Northern Sea Route infrastructure development project (Arctic LNG 2, the port of Sabetta, ice-breaking tanker fleet, etc.). It is believed that Timchenko managed to persuade Putin of Novatek's ability to ensure the success of the Northern Sea Route projects, including the potential sea transport corridor between China and the EU. The state support endorsed by the president is materialized in unprecedented tax benefits for Novatek. As a result, the French energy company Total agreed to invest in Arctic LNG 2, even though Timchenko's assets and Timchenko personally are under US sanctions. Moreover, Timchenko's positions were strengthened through a successful alliance with the leader of the Russian Forbes list Leonid Mikhelson and cooperation with the Kovalchuk group and the Rosatom SOE that they supervise. Apart from the aforementioned Arctic LNG 2, these businessmen are jointly running several projects using the petrochemical giant Sibur.

Traditionally, Timchenko is allied with the Kovalchuk group, whose sphere of influence includes the new energy industry and the Arctic. In addition, they have been placed in charge of policies regarding research and education. After the appointment of the acting governor of St. Petersburg, Alexander Beglov, the group has been gaining prominence as the most influential player in the North-Western region of the country.

Arkadiy Rotenberg has significantly improved his position after successfully completing the construction of the Crimean Bridge and is a privileged contractor for large infrastructure projects, while also retaining an informal influence on the Transport Ministry and on Russian Railways. Among rare failures of this group, we can note the sudden resignation of Georgy Poltavchenko from the office of the governor of St. Petersburg.

Igor Sechin is responsible for the stability of the development of the fuel and energy complex. The activity of the presidential commission on the fuel and energy complex, where the CEO of Rosneft serves as secretary, has been revamped. Sechin retains the status of an informal supervisor of the electric power industry and a high degree of influence on security services. In bureaucratic conflicts, his pressure can be contained only if a coalition of several members or candidate members of Politburo 2.0 is created (as, for example, in the case of Transneft, whose president Nikolay Tokarev was simultaneously supported by Gennadiy Timchenko and Sergey Chemezov).

Chart 2. The Energy Sector



Sergey Chemezov and Sergey Shoigu supervise national defence and the military-industrial complex. The role of the army is increasing in the context of the degradation of diplomatic instruments. In addition, Shoigu is an informal supervisor of several regions and remains one of the most popular politicians in the country.

As Rostec continues to absorb industrial assets (in particular, the United Aircraft Corporation), it is developing expansion into new sectors of the economy (digital economy, waste treatment, retail trade, etc.) and expanding its regional clientele. According to experts, among the Politburo 2.0 members, Sergey Chemezov has the highest influence on security services and the presidential administration (in particular, due to cooperation with the head of the presidential administration Anton Vaino).

Nikolay Patrushev, on the one hand, became a key negotiator with the United States by virtue of serving as the Security Council's Secretary, while also significantly increasing his influence on economic processes, on the other hand.

Sergey Sobyanin is in charge of developing the largest metropolitan agglomeration and in parallel supervises a whole pool of regions, the number of which only keeps growing. Having successfully gone through mayoral re-election in 2018 (with a high result and a high legitimacy level),

Sobyanin reshuffled his team, getting rid of the most toxic players and changing the profile of promising team members (for instance, placing Anastasiya Rakova in charge of the social welfare cluster). Moscow is becoming a centre for test-driving new technologies (in particular, the declared digitisation programme).

Among the members of Putin's Politburo 2.0 retaining their positions, the head of Government Dmitry Medvedev has the most ambiguous functionality. The prime minister does not always personally supervise the national projects, and he cannot fully repeat his last experience of steering national projects that were launched during the second term of Putin's presidency, an experience that would otherwise be positive for managing the image and increasing influence. As a result, noteworthy points include his supervision of the agribusiness against the background of the prime minister's decreasing personnel and symbolic resources, as well as the weakening of the businesses oriented at his team (in particular, the arrest of the Magomedov brothers).

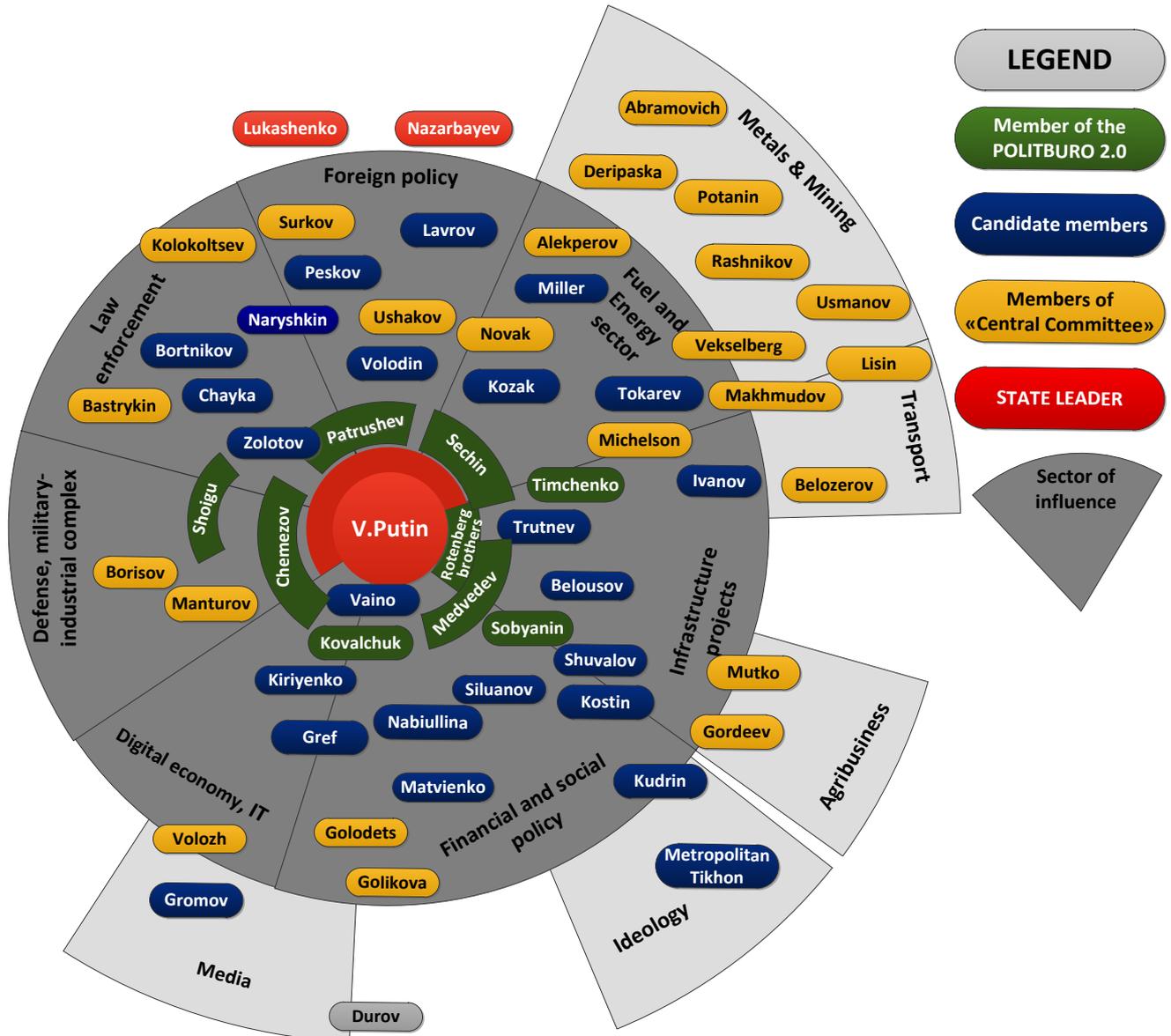
POLITBURO 2.0 AND THE GOVERNMENT

The separation of zones of informal supervision among the members of Politburo 2.0 is an important factor in maintaining the balance of elite power groups. We observe the highest concentration of interests on the flank of state capitalism, where heads of the largest Russian state corporations Sergey Chemezov and Igor Sechin remain unrivalled in terms of influence. At the same time, the business models of formally private companies of Gennadiy Timchenko and the Rotenberg family are increasingly a continuation of state policy. They play a key role in the sector of infrastructure projects. Chart 3 *Orbits of Power* below provides an overview of industries in terms of the respective influence of players within Politburo 2.0. The diagram of elites suggested to our readers has become easier to read due to the reduction of the number of people represented. As before, the chart shows that the influence of individuals decreases as it moves from the centre to the periphery. The colour differentiation of individuals links the sectoral chart to the permanent categories of the Politburo 2.0 model: a member of Politburo 2.0, a candidate member of Politburo 2.0, "a member of the Central Committee" etc. The diagram shows the key sectors of the country's governance: foreign policy, law enforcement and law enforcement authorities – the *siloviki*, national defence and the military-industrial complex, digital economy and information technologies, finance and social policy, infrastructure projects and the fuel and energy sector. In some cases, sub-sectors are additionally highlighted.

Chart 3. Orbits of Power

Power orbits

2019



Following the reshuffling of the Russian federal government after the 2018 presidential election, the influence of full members of the Politburo 2.0 on ministers remains decisive. It is difficult to name a minister who is somehow not affiliated with a member of Politburo 2.0. In these conditions, the vice-premiers in the Medvedev government play an important role of counterbalancing the influence of Politburo 2.0 members. Enjoying the president’s personal confidence, they are, in theory, supposed to dampen the pressure that Politburo 2.0 members put on the government and decision-making. At present, this technical governance unit of President Putin’s Big Government consists of vice-premiers and high-ranking officers of the presidential administration, who in our model have the status Politburo 2.0 candidate members (a full list of Politburo 2.0 candidate members is shown below in Figure 2).

STRATEGIES OF POLITBURO 2.0 MEMBERS FOR EXPANDING INFLUENCE

The high pressure exerted on the government by members of the Politburo 2.0 is associated with the tactics chosen by elite groups until the next power transition. The ruling elite does not entertain its observers with a particular variety of tactics. **Each member of Politburo 2.0 lays a claim to oversee a very large structure that manages a large amount of resources.** In theory, the heaviness of such a design should exclude the possibility of its disbanding (too big to fail), and sometimes even its simple reform, that is, a handover to another influential member of the ruling coalition. At the same time, Politburo 2.0 members are constantly expanding in their own and related fields, absorbing smaller players.

In addition, they regularly saddle the structures under their control with additional and non-core functionality, trying to some extent to second-guess the wishes of the head of state about the need for activity in a given area. The complex foreign policy situation, pressure and sanctions from Western countries most often serve as justification (ideological packaging) of the aforementioned expansion. The practical conclusion they draw is the impossibility of trust to private business that is outside the sphere of influence of Politburo 2.0 members. For instance, the reduction of players within the banking sector left intact those private banks that were oriented towards the interests of Sechin, Kovalchuk, Rothenberg and Chemezov.

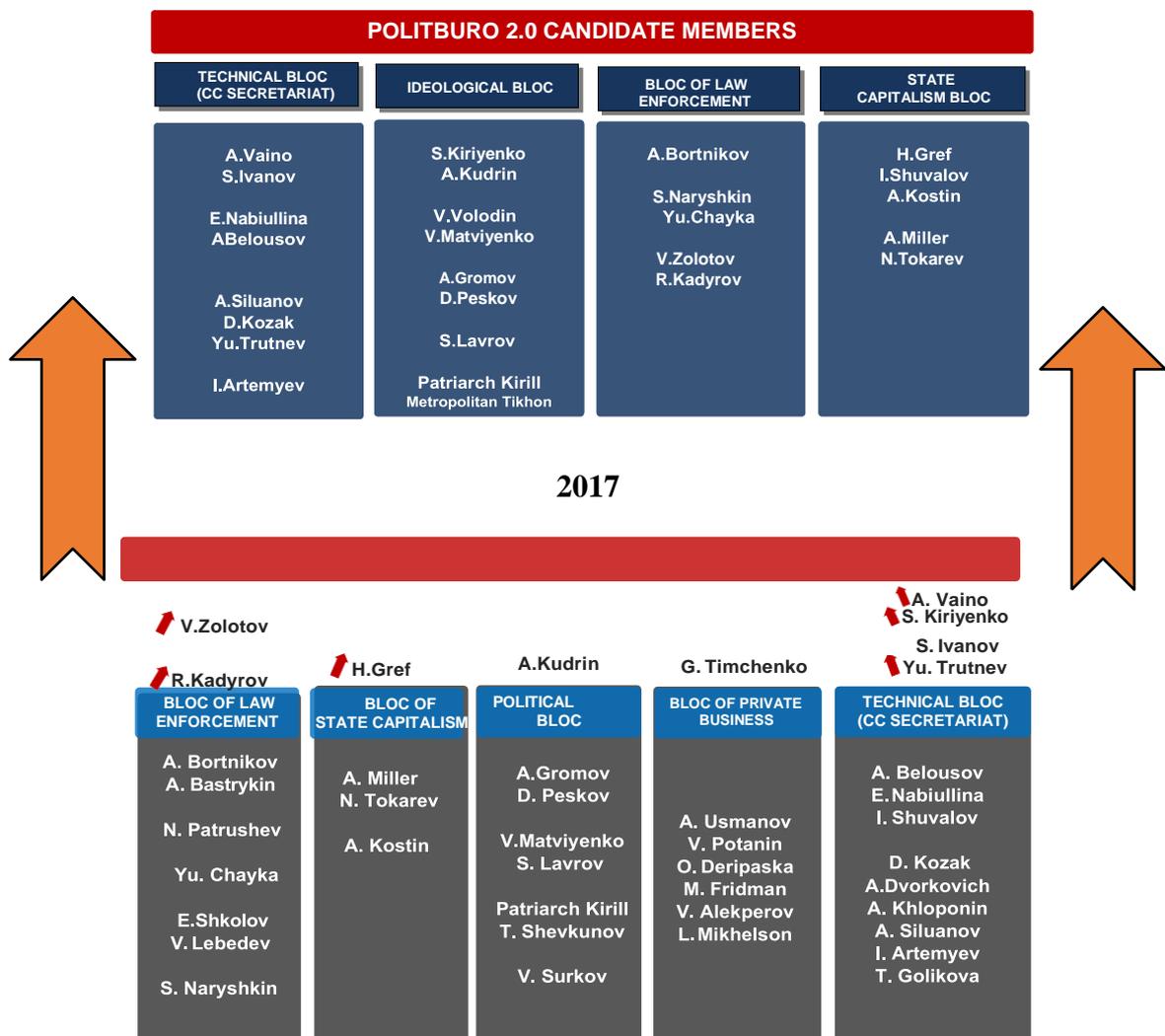
This activity inevitably leads to the expansion of the share of state bodies in the Russian economy. For instance, according to the Federal Anti-Monopoly Service's (FAS) 2018 report on the state of competition in the Russian Federation⁵, over the past 20 years the state's share in the economy increased approximately 2.5 times from 25% to 60-70%. FAS notes that in a number of sectors of the economy the level of competition is critically low. Gazprom, Rosneft, and NOVATEK account for over 70% of the natural gas sales market. Additionally, the FAS identifies a number of challenges for the Russian economy, including: the cartelization of the economy; maintaining the growth trend of state monopolies; the low level of development of small and medium enterprises; the imperfect regulation of public procurement and bidding; the imperfect tariff regulation system and the violation of competition by the authorities.

⁵ The full text of the report is available here:

https://fas.gov.ru/documents/type_of_documents/doklady_o_sostoyanii_konkurencii

DECREASE OF POLITBURO 2.0 CANDIDATE MEMBERS

The overall number of players included in the Politburo 2.0 model has significantly decreased (see Image 2 below).

Image 2
2019


The reduction in the number of players is related, above all, to the systemic degradation of the influence of large private business. Representatives of Russian private business are increasingly becoming no more than junior partners of operators of state capitalist projects. Current business conditions are unfavourable for the growth of their influence. Unsuccessful projects of foreign

expansion reduce the attractiveness of private business as a tool for the implementation of foreign policy expansion. The model of joint business with elites from other countries has shown its limited efficiency. Thus, members of the ‘private business’ bloc were downgraded to the level of the Central Committee (the full list is presented below in Chart 4 “Members of the Central Committee”).

The second important element in the reduction of the list of Politburo 2.0 candidate members is the ongoing internal competition among *siloviki* groups. In the law enforcement bloc of Politburo 2.0 candidate members, five names are remaining. And this is not the limit. The anti-corruption campaign is running out of steam. Anti-corruption fighters are at gunpoint themselves, as evidenced by the recent series of high-profile arrests of security officials. There is still no Politburo 2.0 member who would be entirely in charge of the security bloc. Putin himself is the main security official. His practice is still based on the principle of encouraging competition among security forces.

Currently, there are several competing centres of power. These are the tandems of Bortnikov-Bastrykin (with the leading role of the FSB) and Zolotov-Zinichev. It is worth noting the expansion of powers of the Ministry of Emergency Situations, where an in-house monitoring system is being created. The strengthening of the role of the Prosecutor General’s Office and Yuriy Chaika personally are evident, as he is increasingly presenting landmark initiatives to the public. The Federal Protective Service, which has its own information and polling service, is playing an increasingly important political role.

The State Duma Speaker Vyacheslav Volodin saw his clout on political parties and the United People’s Front reduced and suffered losses in his regional network. However, it is necessary to note the gradual growth of the parliament’s agency and its role as a mediator of significant conflicts (renovation in Moscow and pension reform), as well as the aforementioned increase in the activity of both Volodin and his colleague Valentina Matviyenko on the foreign policy front.

The third important trend within the candidate member pool is the absence of representatives of the ideological bloc⁶ among the full members of Politburo 2.0. In general, this absence creates an opportunity for candidates claiming the status of ideologists to increase their influence and become fully-fledged Politburo 2.0 members. From this point of view, the first deputy head of the presidential administration Sergey Kiriyenko and head of the Accounts Chamber Alexey Kudrin are among the most resource-endowed candidate members of Politburo 2.0.

⁶ Sergey Shoigu is partially trying to perform this function, but militarization as primary ideology on a daily basis is no more than utopia in the contemporary Russian society.

**Chart 4. «Central Committee»
 members**

CC MEMBERS				
A. BASTRYKIN V. KOLOKOLTSEV M.FRADKOV E.MUROV		V.ZHIRINOVSKY G.ZYUGANOV V.SURKOV B.GRYZLOV S.MIRONOV	A.USMANOV V.POTANIN O. DERIPASKA M. FRIEDMAN V.ALEKPEROV L. MICHELSON R.ABRAMOVICH	V.MUTKO A.GORDEEV O. GOLODETS T.GOLIKOVA YU.BORISOV Y. USHAKOV
NEW SECURITY ELITE	«PRINCES»	«VETERANS»	PRIVATE BUSINESS	“TECHNOCRATS”
A. DYUMIN A.MATOVNIKOV D.MIRONOV S.MOROZOV E.ZINICHEV D.KOCHNEV S. KOROLEV M. BABICH	A.TURCHAK A. VOROBIEV S.IVANOV ML. D. PATRUSHEV B.KOVALCHUK R.ROTENBERG P.FRADKOV A. CHAIKA I.SHESTAKOV A.MUROV V. KIRIYENKO	R.MINNIKHANOV E.SAVCHENKO A.ARTAMONOV	A.MORDASHOV V. BOGDANOV S.KARIMOV V.RASHNIKOV V. LISIN I.MAKHMUDOV A. BOKAREV V.VEKSELBERG V.EVTUSHENKOV A. VOLOZH	D. MANTUROV A.NOVAK O. BELOZEROV V.YAKUSHEV D.KOBYLKIN A.NIKITIN A.ALIKHANOV O. KOZHEMYAKO

CONCLUSION

The regrouping within the “Big Government”, preceding the transit of 2021-2024, has not yet been completed. In the near future, we can expect significant personnel changes, primarily in the corporate sector, and a fine-tuning of the government.

The active struggle for filling the personnel reserve and appointments in the regions will continue.

Despite the growing competition within Politburo 2.0, the settlement of disputes between groups has so far been artificially kept outside the framework of the public political process. The main methods of competition between groups tend to include personnel lobbying, information wars (which have moved to the anonymous channels of the instant messenger app, Telegram) and the use of security enforcement tools. In the meantime, **the number of players with immunity from law enforcement prosecution is rapidly decreasing.**

The growth of anti-establishment sentiment, in the face of leadership issues in the parties of the systemic opposition of the Communist Party and the Liberal Democratic Party of Russia and the downfall of the Fair Russia party, will in one way or another generate demand for creating new populist projects that can be predominantly grassroots (like the Five Stars movement in Italy) as well as endorsed by the authorities (the format of the Fatherland bloc during the 2003 Russian parliament election or the movement of Emmanuel Macron in France). Regional patriotism and environmentalist activism can be distinguished as potentially attractive ideological niches.

Members of Politburo 2.0 will be forced to pay much more attention to the public promotion of their projects and creation of a stable reputation. The availability of informational, image and political technology resources will be a significant advantage for power groups and their nominees in the new ‘race of successors.’

Chart 5. Russian elites. The Politburo 2.0 Model

