

Russia's Establishment Has Much Riding on Putin

Kathy Lally | February 26, 2012

Moscow. The demonstrators who have turned out in the tens of thousands to protest Vladimir Putin's rule are confronting a deeply entrenched power structure that winds through government and industry, extracting great profit, and is heavily invested in the status quo.

Those relationships give a network of bureaucrats, businesspeople and corrupt hangers-on a vital stake in the March 4 presidential election. A Putin victory would protect their privileges. For Putin, simply winning is not enough. A first-round mandate would remind those who might doubt it that he has all the strength needed to defend reliable followers.

The top echelons of government and industry are filled with Putin loyalists, many of whom served with him in the former KGB, and government jobs throughout the country come with opportunities to make far more than an official salary.

The most successful have expensive property, investments and big bank accounts abroad. They send their children to study at the world's prestigious universities. They live in fancy houses, while earning relatively small government salaries. Friends of Putin built him a billion-dollar palace, according to a whistleblower's account that was strenuously denied by Putin.

Putin and a circle of his friends control 15 percent of the gross domestic product, according to a study by Russian journalists and economists published in the New Times magazine. Russians routinely call their country corrupt, but Andrei Illarionov, a former Putin economic adviser, said few understand the size and depth of the corruption.

As Putin was tightening his command over Russia after becoming president in 2000, Gazprom was a priority. In 2001 he made Alexei Miller, an old friend from St. Petersburg, the chief executive. The next year, another St. Petersburg stalwart became chairman of the board. That was Dmitry Medvedev, who went on to become Russia's president in

2008, when Putin had to step aside because of term limits and became prime minister.

In September, Medvedev said he would give up the presidency for Putin to take it back. That swap helped set off the protests that began in December with a demand for honest elections.

“Putin controls Gazprom,” said Illarionov, who worked for Putin from 2000 to 2005, when he criticized the stifling of democracy and resigned. “Certainly he doesn’t own it legally, but if he issues an order to Mr. Miller, it will be fulfilled.”

In Putin’s Russia, the political power, government structure and a substantial chunk of economic resources are controlled by a network — what Illarionov called a corporation — of “siloviki.” The word comes from the Russian for strength and refers to officials from the police, military and secret services.

“They own the political system and the whole country,” said Illarionov, now a fellow at the libertarian Cato Institute in Washington. “It’s a huge chunk of national property and a huge chunk of financial flows — billions of dollars.”

The siloviki, who were feared and respected in earlier times as the guarantors of Soviet power, lost their bearings after the Soviet Union collapsed in 1991. The temporarily free press battered them with derogatory accounts of the heavy KGB hand. They felt abandoned and humiliated by the state that had recruited them then cast them aside.

When Putin took over, the siloviki were ready to take their share, said Kirill Kabanov, a former KGB officer who now runs an anticorruption organization and serves as chairman of the Presidential Council on Civil Society and Human Rights.

“That was the mentality,” he said. “Take care of each other.”

The nascent democracy of the 1990s got in their way as they built their state corporation. “When have you ever seen democracy in a corporation?” Kabanov asked. “Their goals are not to serve the people. They serve the corporation.”

Moscow’s New Times magazine recently published a chart diagramming the positions and relationships of 104 influential people in government and industry. Among those holding 22 posts closest to Putin, at the very top of the power structure, 14 are former KGB associates and the others are either trusted colleagues from his home town of St. Petersburg or close friends.

Former KGB colleagues fill the posts of vice prime ministers, and ministers of interior, migration services, mass communications, transportation and customs agencies and the secretary of the security council. Others fill top jobs in banking and finance, gas and oil, railways and airlines, construction and other industries.

Bureaucrats far from Putin benefit from the system he created; what he calls a vertical of

power, giving him authority from the very top to the very bottom of governance.

Olga Kryshstanovskaya, a sociologist who heads the Center for the Study of the Elite at the Russian Academy of Sciences and has spent years examining the power structure, said corruption is based on high-level officials allowing the lower levels to keep whatever they can collect, as long as they remain loyal.

But the rules are unwritten and can be changed without notice. A whiff of disloyalty and prosecutors are investigating just how a big country house was acquired. The courts and police are part of the system, so there's no rule of law to sort through right and wrong.

"How do you fight against it?" Kryshstanovskaya asked. "Put the whole country in jail?"

The elite have shown no signs they are willing to cede authority or privilege.

"To give up all this?" Illarionov said. "Their business assets and residences? Their palaces and country houses? Their bank accounts and control over financial flows? Their power and influence within Russia and abroad? And why? Because 100,000 people gathered in Moscow streets?"

"They will be trying to stay in power for a long, long time. Forever."

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