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# How Do Russia's Regions Adjust to External Shocks? Evidence from the Republic of Tatarstan

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Since 2008, tighter budget constraints have forced the Russian federal government to adjust the system governing its relations with the regions. This paper argues that more advanced Russian regions have the potential to develop a constructive response to the recent deterioration in their operational environment. This argument is based on an analysis of the experiences of coping with the external shocks that have occurred over the last 25 years in the Republic of Tatarstan. The paper identifies key factors that have helped the republic successfully tackle previous shocks, such as elite cohesion and internal consensus regarding republican developmental priorities.

## INTRODUCTION

In the years that followed the global crisis in 2008–2009, the Russian federal authorities faced major deterioration in the external environment and were forced to reconsider the relationships between the federal government (FG) and the regions. While the tightening of budget constraints for the regional authorities has been significant (Akindinova et al. 2017), the replacement of regional governors in 2016–2018 suggests that the Kremlin has been making much stronger demands on the managerial capabilities of the new regional leaders (Stanovaya 2017). This leads to the question, How will Russia's regional authorities react to these new challenges? Specifically, if the regions gain greater autonomy under the new conditions, will they be eager and able to make constructive use of it?

Answering these questions may involve examining the experience of Russia's regions that have already demonstrated development successes while enjoying broader autonomy. One such prominent region is the Republic of Tatarstan (hereafter, Tatarstan). Tatarstan has the reputation of being a region with pro-active government and its own

political tradition, and is often seen in Russia as a source of best regional practices.<sup>1</sup> In 2015–2016, foreign investors named Tatarstan among Russia's top five or six regions attracting the highest investor interest (Rochlitz 2016). Moreover, Tatarstan has accumulated considerable experience of successful adjustment to the various external shocks that have occurred during the post-Soviet period.

In this paper, we try to explain what factors made Tatarstan successful in the years prior to the 2008–2009 crisis and point to the role of elite cohesion as an important precondition for developing a successful regional governance model. In the post-crisis situation of tighter budget constraints and fiercer competition among the regions over federal resources, Tatarstan's traditional model has largely lost its effectiveness. We therefore consider the Tatarstan elites' response to these new challenges and evaluate the potential for the region's governance arrangements to evolve toward the developmental state (DS) model. The DS here is seen as a pocket of effectiveness within the country's public sector, an example of relatively effective governance in an environment where almost all other sub-national governments do not perform well (Roll 2013).

The key DS characteristics at the national level have been identified and well researched (Evans 2014; Fritz and Menocal 2007). These include state capacity, political commitment, leadership and vision, and political stability. However, there has been relatively little academic interest

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in analysis of the prerequisites for the emergence of DS at the subnational level. More generally, there have been only a limited number of comparative studies of subnational policy responses to a national economic reform agenda. We know little about the motivation of those subnational political elites that have a “policy space” for elaborating their own development strategy to use this space, and how their responses are influenced by the policies of the central government, other external factors, and their own specific regional circumstances (Kennedy, Robin, and Zamuner 2013). This paper is an attempt to partially close this gap using some recent evidence from Russia.

In our analysis, we have considered some key determinants of subnational development strategies identified in earlier research in India, Brazil, and Spain and compared them with the factors that we believe have been important in Russia. For instance, in India, political (not economic) factors are seen as the main explaining variables of the policy stance adopted by particular states. The policy preferences of state governments, including with respect to undertaking market reforms, have been shaped as an outcome of a political process based in part on the comparative capabilities of local groups to promote their interests (Kennedy, Robin, and Zamuner 2013).

In his comparative study of developmental strategies realized in the Catalonia and Galicia provinces of Spain, Michael Keating (2001) concluded that, while location and resource endowments were still the essential factors, historical legacies, cultural endowments, and social practices were equally (if not more) important in constructing a subnational developmental model. Furthermore, these regional cases also show that subnational institutional arrangements matter. What matters most is the linkage between government and civil society and the opportunities for non-government groups to influence government policies through an effective dialog. In addition, for Catalonia, Keating points to the importance of a regional cultural tradition of pactism, that is, a tendency to search for compromise (not domination) in public interactions, especially when one is looking for solutions to political or social problems. Leadership is also critically important, especially in shaping an attractive regional self-image and identity.

In his analysis of subnational industrial policy in Brazil and Spain, Alfred Montero (2002) emphasized two factors determining the effectiveness of regional strategies: how much competition there is among political elites within a region; and how much competition there is between regions for resources provided by the central government. These factors are important because they directly influence the effectiveness of cooperation among subnational government agencies and the local private sector. Where levels of polarization among elite groups are high, incumbents feel vulnerable and they are likely to discount future gains from economic policy success and centralize their control over

economic policymaking. On the other hand, lower competition among elites encourages subnational governments to delegate more autonomy to public agencies, which is conducive for developing public–private partnerships (PPPs) that favor allocative efficiency and innovation. Higher competition among regions provides additional incentives for political leaders to be more pro-active in their economic development efforts, including by establishing a greater variety of subnational government agencies, whose cooperation over time facilitates effective PPPs.

In our study, we use the case of Tatarstan to explore how, basically, the same factors (cultural endowments, social practices, intra-regional political competition, inter-regional competition for resources, etc.) influence the political preferences of regional elites for the transformation of a subnational economic model. Our main research questions are as follows:

- What are the prerequisites that are conducive to the transformation of regional governance toward a developmental state?
- How sustainable can such a transformation be if initiated by a particular region in a large country that does not favor a similar transition to a DS model at the national level?

The rest of the paper is structured as follows. First, we present an overview of the distinctive features of Tatarstan’s economic strategy as identified in previous studies. We then discuss the key characteristics of Tatarstan’s governance model and address the question why it was successful over two decades. We emphasize the role of elite cohesion and point to its main determinants. Next, we consider the main challenges to the model of governance created by Tatarstan president Mintimer Shaymiev that emerged after the 2008–2009 crisis, and the responses of Tatarstan elites that created conditions conducive to a move toward a DS model. The main findings and broader implications of Tatarstan’s experiences are presented in the conclusion.

## DISTINCTIVE FEATURES OF TATARSTAN’S ECONOMIC STRATEGY AND ITS MAIN DRIVERS

Tatarstan is a region in European Russia with a population of about 4 million, which comprises 53 percent Tatars and 40 percent Russians, and includes two main religious communities—Sunni Muslims and Orthodox Christians. The proportion of the urban to rural population is 76 percent to 24 percent, but a significant part of the urban population was born and grew up in the countryside. Per capita gross regional product (GRP) in Tatarstan in 2015 was approximately 7 percent higher than the Russian average. Tatarstan

is a donor region, but has traditionally enjoyed considerable direct support under various programs funded by the federal budget.

Since the 1990s, Tatarstan has demonstrated stronger economic performance and greater social stability than other Russian regions. The republic managed to preserve and build up its industrial and agrarian capacity inherited from the USSR. However, the dynamics of its key development indicators started to surpass the average all-Russia results only after 2010. During the 10 years of economic boom before the 2008–2009 crisis, the average GRP growth rate in Tatarstan was high (7.4 percent p.a.), but not much different from Russia's average (7.3 percent). The pace of growth in Tatarstan slowed substantially after 2008 (to an average of 2.4 percent during 2009–2015), though it was still higher than Russia's average (1.1 percent). Nevertheless, recent economic growth in Tatarstan is much slower than the results demonstrated by rapidly growing world economies.

Tatarstan is an “old” oil-producing region, in which oil production has declined more than threefold since its peak in 1975 (Sagers 2006). Tatarstan's sectoral makeup includes, in addition to oil production and processing, well-developed manufacturing, agricultural, and construction sectors. Tatarstan occupies the nineteenth position for extent of agricultural land among the Russian regions, but in 2015 it was ranked fourth in the volume of regional agricultural output. One of the reasons for this strong agricultural performance relates to a high level of budget support for the sector.

Tatarstan stands out among Russia's regions in terms of the quality of its investment climate. In 2015–2017, it was ranked first in the National Rating of Investment Climate.<sup>2</sup> In 2015, investments per capita in Tatarstan were 1.6 times the Russian average, but until very recently the foreign direct investment (FDI) levels were low. In 2014–2015, Tatarstan moved up to the top place in the regional rating for innovation activities (Gokhberg 2017). At the same time, Tatarstan was ranked relatively low in the rating for the quality of regional conditions for the development of small and medium-sized enterprises (SMEs).<sup>3</sup> Until the end of the 2000s, the development of the regional economy predominantly relied on old production facilities, with a prevalence of brownfield projects. For most of the post-Soviet period, Tatarstan's economy remained largely closed to new external entry, including foreign investors.

With respect to social development, the unemployment level in Tatarstan has remained considerably lower than the Russian average. The share of the population with incomes below the subsistence minimum in Tatarstan was 3.3 percentage points lower than in Russia on average during 2010–2015. However, the Gini index of income concentration in Tatarstan has been exceeding Russia's average since 2012. Moreover, despite a higher GRP per capita, the average wage in Tatarstan is significantly (14 percent) below Russia's average. At the

same time, much more housing per capita was constructed in the 2000s in Tatarstan than in Russia as a whole. The rural gasification level reached 98 percent in Tatarstan in 2015, compared to Russia's average of 56 percent.

The developmental strategies of Russia's regions have shown considerable variation, and this has attracted robust academic interest (Dowley 1998; Orttung 2004; Zimin 2010; Zimine and Bradshaw 2003; Zubarevich 2010; Zverev 2007). There is broad consensus that, in an environment of increasing divergence in the quality of regional institutions (Baranov et al. 2015), certain regions can succeed in attracting additional investments and accelerating their development despite an unfavorable situation at the national level. At the same time, successful regional economic models are exposed to a high sustainability risk in the medium term (Zimin 2010).

Earlier research on Tatarstan's economic development has identified the following factors underpinning the key distinctions of its developmental trajectory:

- Prompt formation of an authoritarian political regime headed by a strong leader with significant influence at the federal level (Gelman 1998; Kahn 2000; Matsuzato 2004; Mikhailov 2010).
- “Special” relations with the federal center, making it possible to effectively lobby for regional interests and obtain additional federal resources (Åslund 2004; Sharafutdinova 2016; Zubarevich 2014).
- Enhanced levels of regional autonomy (De Melo, Ofer, and Yossifov 1999; Stoner-Weiss 1999).
- A considerable share of oil production and oil refining in the structure of the regional economy, with strong dependence on oil price dynamics (Sagers 2006; Sharafutdinova 2016).
- Stability of the regional elite during the first years of market transformation (Kahn 2000; McCann 2004).
- The relatively slow pace of undertaking basic market reforms in the 1990s (Slider 1997; Kopsidis 2000).
- The success of regional elites in establishing and maintaining control over the core republican economic assets (Hagendoorn, Poppe, and Minescu 2008), including in the oil industry (Rutland 2015).
- Local patriotism and readiness to defend republican—including ethnic—interests (Bradshaw and Prendergrast 2005; Drobizheva 1999), while support for multi-ethnic and multi-confessional stability has always been a political priority (Sharafutdinova 2000).

At the same time, the literature offers quite different views concerning the longer-term prospects of Tatarstan's governance model. On the one hand, the prospects of this model were quite limited, as excessive governmental control over the economy was incompatible with a path toward the region's economic dynamism and global integration (McCann 2004). On the other hand, Leokadiya Drobizheva (1999) emphasized

the high quality of the regional elite, its long-term motivation, and its high level of education. According to Drobizheva, Tatarstan has achieved stronger elite cohesion based on regional solidarity, and this generates greater potential for modernization.

We assume that the elite cohesion in Tatarstan has been a significant long-term factor positively affecting the republic's comparative advantage. We understand "elite cohesion" as a sustainable unity of views and actions of representatives from the top (most senior) level of political and business elites, jointly controlling the region's main assets and regional policy. Our definition of elite cohesion follows the characterization of elite unity proposed by Higley, Pakulski, and Wesolowski (1998) and includes three elements: effective mechanisms of interest reconciliation and conflict resolution within the main elite groups; developed intra-elite communication arrangements; and sustainable elite consensus regarding regional developmental priorities. Despite some relevant international experience mentioned above, within the context of analysis of the regional development agenda in Russia, elite cohesion remains a largely underestimated and insufficiently examined factor.<sup>4</sup> In the following sections of the paper, we use the case of Tatarstan to explore the factors supporting the formation and preservation of such a cohesion and its role in the evolution of the regional governance model.

The importance of internal elite cohesion for regional development in Russia can be illustrated by comparing Tatarstan with the neighboring Republic of Bashkortostan. These two ethnic republics within the Russian Federation have shown significant similarities in basic characteristics and political trends since the early post-Soviet period. The political leaders of the two republics, Mintimer Shaymiev (Tatarstan) and Murtaza Rakhimov (Bashkortostan), respectively, were successful regional leaders who started in this role in the late 1980s and by the mid-1990s were "heavyweights" in Russian politics, exercising significant political influence at the federal level. However, the ends of their political careers in 2010 were in stark contrast to one another. While Tatarstan managed to secure a smooth power transition from Mintimer Shaymiev to a local successor who kept intact the existing policies and power arrangements, Bashkortostan saw public conflict, the appointment of a relative outsider, and a wave of changes that caused internal turbulence and economic slowdown.

We consider the fundamental difference in intra-elite relations in these two republics to be a primary reason for such a divergence in their political and developmental trajectories (Garifullina, Kazantsev, and Yakovlev 2019). Tatarstan's elite, as discussed in more detail below, has been highly consolidated. It has more intra-elite connections that are based on common professional experience. In contrast, in Bashkortostan, elite connections have been much sparser and there were easily identified factions within the ruling elite coalition.

In Tatarstan, both Mintimer Shaymiev and his successor, Rustam Minnikhanov, were "grown" and prepared within the regional elite. Mintimer Shaymiev, a very cautious politician, went through years of political training in Tatarstan's republican Communist Party organization. With time, he succeeded in building considerable personal support within both formal institutions (e.g., regional legislature) and non-governmental organizations (e.g., World Tatar Congress). In contrast, in Bashkortostan, the whole republican communist leadership had been dismissed in 1990. Murtaza Rakhimov thus came to power through conflict and was a relative outsider to the regional political elite of the time. Moreover, Murtaza Rakhimov had made his career in a refinery plant, arguably a less politically demanding job than that of Mintimer Shaymiev. Their different careers, therefore, likely produced varying skill sets and leadership styles (Sharafutdinova 2015). In the end, Murtaza Rakhimov failed to build a sufficiently broad elite coalition (his support base was largely limited to the southeast of the republic and to ethnic Bashkirs)<sup>5</sup> and pursued a much riskier privatization strategy.

Overall, in our analysis, several factors played the most essential roles in shaping Tatarstan's economic strategy. First, Tatarstan has a large amount of available commodity rents, which it managed to protect from sharing with the FG. Second, Tatarstan had a favorable Soviet legacy, linked to the diversified industrial structure and high quality of human capital. Third, Tatarstan had high-quality regional leadership, which proved to be stable and motivated toward long-term developmental objectives. None of these factors, however, were unique to Tatarstan. What made Tatarstan a particularly special Russian region was its ability to utilize available rents in a productive way: a significant portion of the rents was invested in the preservation of social cohesion, maintaining existing industrial and social assets, and launching new development projects. We explain this ability in the next section by considering the distinctive features of Tatarstan's governance model, which is closely associated with peculiarities in the behavior of the regional elites.

#### TATARSTAN'S GOVERNANCE MODEL IN 1990–2000 AND WHY IT WAS SUCCESSFUL

Since the early 1990s, Tatarstan's regional governance model has been developing in response to significant external shocks associated with the economic crisis and political uncertainty of the early 1990s; Vladimir Putin's coming to power in 2000 and shifting the balance of power between the regions and the FG; and the 2008–2009 crisis. In the face of the deep transformational crisis of the 1990s, the federal authorities experienced an acute need for support from the regional elites. Tatarstan turned out to be capable of providing such support due to the rapid formation of efficient political machinery in the region that guaranteed

delivery of the popular vote necessary for the incumbent party of power in Moscow.<sup>6</sup> The voting results of the second round of Russia's presidential elections in 1996, when President Boris Yeltsin received almost twice as many votes in Tatarstan as his opponent Gennady Zyuganov (61.5 percent vs. 32.3 percent), can be considered typical in this respect. Boris Yeltsin's average advantage across Russia in general was much less impressive (53.8 percent vs. 40.3 percent). This created a foundation for the strong "negotiating position" of Tatarstan in its relations with the Kremlin.

Tatarstan managed to gain substantial resource privileges in exchange for its political loyalty. In the 1990s, practically all taxes collected in the region were channeled to the Tatarstan budget and the republic received full control over its subsoils. Tatarstan also managed to implement its own privatization model, which enabled the regional elite to retain control over key economic assets (Bornstein 1994). Another channel for obtaining additional federal resources was associated with federal support for the celebration of the 1,000th anniversary of Kazan (by special decree of the president of the Russian Federation issued in September 1999).

Tatarstan's leadership succeeded in building robust relations with key groups of local voters based on the stable allocation of targeted budget support and a relatively successful policy to mitigate unpopular processes of market transformations. Tatarstan started implementing a targeted industrial policy as early as the 1990s. Substantial resources were invested in agriculture, which made it possible to avoid a radical decline in this sector and preserve its potential inherited from the Soviet period. The dilapidated housing demolition program in Kazan provided approximately 50,000 families with free new apartments, serving as an additional factor for social stability. The same program helped preserve and strengthen the construction sector in Tatarstan. At the same time, because of the focus on retaining republican control over key enterprises, the region's economy remained largely closed to external investors until the mid-2000s.

The period of the 1990s was also characterized by relative continuity in the system of public administration, maintaining a political balance across different interest groups, and the settlement of internal conflicts through coordinated actions of regional elites, without Moscow's mediation. A significant role in this respect was played by the Tatarstan State Council (regional legislature) as a platform for dialog between the regional political and business elites. Other distinctive features of regional governance included drastic restrictions on the scope of asset channeling out of the republic and the suppression of organized crime following a crackdown by the republican Interior Ministry.<sup>7</sup> Moreover, the consistent efforts in support of multi-ethnic and multi-confessional stability mitigated the risks of conflicts between Russians and Tatars, Orthodox Christians and Muslims (Khakimov 2014).

Rapid strengthening of the FG's powers after Vladimir Putin was elected Russian president in 2000 created a serious challenge to Tatarstan's elites. According to Lapina and Chirikova (2004, 8), "the new federal policy was incompatible with the continuation of the former bilateral arrangements between Moscow and the Russian Federation's (RF) constituent regions and called for a drastic revision of the role and status of regional elites within the political system." During the reforms of the inter-governmental allocation of functions and the subsequent alignment of the regional legislation with federal requirements, Tatarstan lost most of its former privileges. This resulted in financial losses that were only partially compensated by a new federal targeted program to support Tatarstan's development until 2006. The republic was also compelled to gradually open its economy to external investors.

The quest by Tatarstan's elites for a new political balance with the Kremlin in the 2000s was based on the demonstration of political loyalty and the region's active participation in all types of federal initiatives. In the political sphere, the sustainability of Tatarstan's governance model was ensured by the provisions of the republican constitution, according to which a treaty on "separation of powers" has to be signed between Tatarstan and the RF,<sup>8</sup> and the president of Tatarstan has to speak two languages (Tatar and Russian). Unlike other regions, where all law-enforcement agencies were fully transferred under federal jurisdiction in the beginning of 2000s, Tatarstan's Interior Ministry remained part of the republican government until 2012.

Overall, Tatarstan's adaptation to the new political environment under Vladimir Putin was quite successful. Tatarstan continued to attract and effectively utilize significant amounts of federal funds while the regional elites preserved their control over the regional economy. Successful implementation of several large projects by Tatarstan (e.g., the development of the Alabuga Special Economic Zone [SEZ], launched in 2005) and the region's socio-political stability became factors ensuring the regular "delegation" of representatives of Tatarstan's elites to leading positions at the federal level. On the one hand, this expanded local opportunities for social mobility, and on the other, made daily interactions with the FG easier for Tatarstan's leadership.

Another important governance innovation of the 2000s was the creation of regional holding companies with interlocked ownership structures and the use of their respective boards of directors for managing regionally controlled companies.<sup>9</sup> Regional holdings in Tatarstan were designed to perform three main functions: protect enterprise assets against unfriendly external takeovers; coordinate investment and other strategic decisions among enterprises; and accelerate enterprise restructuring. Tatneftkhiminvestholding also played the role of top-level advisory and

communication platform under the Tatarstan president. In addition, the corporate charters of the key companies in Tatarstan, including Tatneft and TAIF, envisaged issuing a “golden share” that would enable the Tatarstan government to veto any decision of a particular board of directors.

By the mid-2000s, the advanced multi-channel system of intra-elite communications had been fully established and helped to preserve elite cohesion by supporting a more consultative style of decision making. This system included the Tatarstan State Council, boards of directors of republican holdings and major enterprises, and other platforms. This system was supplemented by an effective mechanism for the regular monitoring of enterprises’ performance. Its key element was the Tatarstan presidential administration, vested with broad controlling and inter-sector coordinating functions.

To sum up, by 2009, over almost two decades of his presidency, Tatarstan president Mintimer Shaymiev had managed to create a quite unique and sustainable regional governance model, which had the following distinctive features.

- *Public administration, relations with the FG, and internal policies:* The region’s substantial political and administrative resources (including a capable managerial team and strong implementation discipline) were utilized effectively both to produce desirable election outcomes and to mobilize additional federal funding. This helped to increase the FG’s trust toward the regional elites, which was further supported by Tatarstan’s regular fulfillment of its policy and project commitments. Internal political stability and advanced administrative capabilities also helped to ensure predictability in the government’s policy and effective cooperation between the government and local business entities. Furthermore, noticeable progress was made in strengthening regional identity, social consolidation around the idea of “regional patriotism,” and enhancing tolerance in the society.<sup>10</sup>
- *Economic, social, and industrial policies:* Region-specific privatization schemes and corporate governance arrangements enabled the preservation of regional control over core assets and formed the basis for an active industrial policy that mostly benefited the largest incumbent enterprises. Agriculture remained a priority sector and an important recipient of budget support. Policies to ensure social stability, including administrative interventions to control poverty and unemployment, were accompanied by implicit restrictions on wage growth. Strict control over capital flight from the republic and a relatively low level of corruption supported higher investment rates and more effective implementation of large investment projects.

In our view, the key distinctive driver of Tatarstan’s developmental model, which has been playing a significant role since the early 1990s, is related to a high degree of regional elite cohesion. The literature discussing the institutional foundations of economic development (Doner and Schneider 2016; World Bank 2017) has emphasized that local elites must reach a consensus regarding the development objectives of their territory as the basis for formulation and implementation of any successful long-term developmental strategy. Three main factors leading to the formation of such a consensus are commonly identified: a serious economic and/or political crisis affecting development; a serious strategic threat aggravating the risks for incumbent elite groups (pressure on the elites either from below or from outside); and the presence of patriotically minded local elites that are ready to assume responsibility for the implementation of an anti-crisis strategy and have a strong commitment to long-term development objectives.

In our view, all these factors were already in place in Tatarstan in the 1990s. With respect to the first two conditions, the situation was quite obvious: Russia’s transformational crisis of the early 1990s was severe, and the existing subnational elites faced a real risk of losing control and being replaced. This was happening in many of Russia’s regions. What made Tatarstan different from most Russian regions was that Tatarstan had been able to meet the third condition stated above, related to the quality and cohesion of regional elites. There were several reasons for such a distinction. First, unlike many other regions, Tatarstan was characterized by considerable continuity in the course of its governance reforms, which resulted in a higher share of Soviet elites who managed to retain senior positions after 1991, fewer newcomers within the elites, and a significantly higher elite network density (the number of ties within the elites as compared to the number of all possible ties) than that of similar Russian regions, such as Bashkortostan (Garifullina, Kazantsev, and Yakovlev 2019). In addition, Tatarstan’s elites had more connections among members that were based on common professional experience.<sup>11</sup> This cohesion was facilitated by the similarity in their mentality and frequently common rural origins (Salagaev and Sergeev 2013). A vivid manifestation of this early elite cohesion, as mentioned above, was the successful collective action of Tatarstan’s leadership to maintain republican control over key regional enterprises in the 1990s.

Second, as pointed out by Kimitaka Matsuzato (2001), Tatarstan’s elite had a multi-polar structure (unlike, for example, unipolar Bashkortostan), with President Mintimer Shaymiev playing the role of chief coordinator of intra-elite interactions. At the same time, the presence of developed communication mechanisms helped to prevent intra-elite conflicts in Tatarstan. Another benefit of Tatarstan’s elite structure was that the elites were not divided along religious lines.

Third, an essential element of the local political culture in Tatarstan had been the tradition of searching for compromises, motivation toward the settlement of internal conflicts with their own resources and without involving external players, and the readiness to jointly defend Tatarstan's strategic interests. This is somewhat similar to pactism in Catalonia (Keating 2001). In particular, internal political compromises achieved in the 1990s on two issues of paramount importance—the status of the Tatar language and Tatarstan's relations with the FG—played a critical role in maintaining political stability in Tatarstan over the next 25 years (Khakimov 2014).

Fourth, another cultural feature of Tatarstan's elites (and to some extent of the population as a whole) relates to their widespread enhanced motivation toward attaining ambitious objectives at the individual, corporate, and regional levels and practical recognition of the priority of strategic interests over short-term benefits. This encouraged elite cooperation, especially under the circumstances of external pressure. It is worth mentioning that, in Soviet times, Tatarstan traditionally had strong regional leaders and a successful experience of implementing ambitious projects of national importance. For instance, Kamaz (a truck concern) was successfully developed from scratch in the 1970s and a new city (Naberezhnye Chelny, population 500,000) was built to host it. This example also illustrates that, before market transition, Tatarstan had decades of experience of managing significant migration inflows and the integration of migrants into the local social fabric.

Furthermore, the following political factors have facilitated the formation and preservation of elite cohesion in Tatarstan. President Mintimer Shaymiev put in place an elaborate system of checks and balances to mitigate the risk of intra-elite conflicts. The examples of such balances in politics include the distribution of key positions in the State Council and across the municipal authorities among representatives of different interest groups, and in business the relations between the Tatneft and TAIIF companies. In addition, the established human-resource management practices directly supported cohesion. They provided, for example, for the promotion of leaders capable of delivering anticipated results. Administrative promotion within the system, such as for district heads, depended in most cases on the successful development of their territories. The system also encouraged regular rotation (reciprocal transfers) of representatives of the administrative and business elites (e.g., appointing directors of large enterprises to positions as deputy ministers, and vice versa). Elite cohesion was further supported by the effective intra-elite communication system mentioned above.

There are several examples attesting to the maturity of the Tatarstan elite and its ability to manage potential conflicts based on negotiations among representatives of competing elite groups. Since the 1990s, President Mintimer

Shaymiev had been conducting a policy of “coercion of the elite to unity” based on the broad use of power instruments and reliance on Tatarstan's Ministry of Interior, including the suppression of organized crime and the prevention of withdrawals of assets from Tatarstan. At the same time, “expulsion by promotion to the federal level” was applied to representatives of local elites who failed to fit into the emerging political consensus.<sup>12</sup> By following this approach, in 1998 Mintimer Shaymiev was able to effectively resolve a serious internal political crisis—the so-called “coup of district heads.”<sup>13</sup>

The consensus-based governance model in Tatarstan survived the serious transformation of relations between the FG and the regions in the early 2000s. After a brief period of Mintimer Shaymiev's membership in the opposition bloc “Fatherland—All Russia,” Tatarstan was consistent in demonstrating its political support for Vladimir Putin and ultimately succeeded in retaining both regional control over key assets and a high level of internal political autonomy. Tatarstan was the only region where the FG allowed a true succession of power during the period of sweeping replacement of old “heavyweight” governors during Dmitry Medvedev's presidency in 2008–2012. This was seen as an indication of the sustainability of the existing regional governance model in Tatarstan and the Kremlin's confidence in the republic's leadership.

In 2010, Mintimer Shaymiev was succeeded in the post of president of the republic by Rustem Minnikhanov, Tatarstan's prime minister for the previous 12 years. A painless regional leadership transition that allowed the maintenance of both the regional political system and property rights was quite unique for Russia under Vladimir Putin (Sharafutdinova 2013). At the same time, the 2008–2009 global crisis and subsequent domestic and external political developments vividly demonstrated the limits and risks of Tatarstan's existing governance model and triggered its transformation.

To summarize, the above analysis suggests a number of primary long- and short-term factors that facilitated the formation and preservation of elite cohesion in Tatarstan. But what have been the relative contributions of leadership (Mintimer Shaymiev), resource endowments (oil), cultural factors, and path-dependency (cultural endowments)? While all these factors played their role in the case of Tatarstan, we would underline a more prominent contribution of leadership (as is common for autocratic modernization) and path dependency. This also suggests a limited potential for the replicability of Tatarstan's experiences in other Russian regions. Because elite cohesion is so much dependent upon long-term, slow-moving cultural factors, relatively little can be changed in the short term, even by the most capable and sophisticated regional leaders.



## RECENT CHALLENGES TO THE TRADITIONAL GOVERNANCE MODEL OF TATARSTAN AND THE RESPONSE OF REGIONAL ELITES

Judging by formal criteria, the 2008–2009 global crisis did not deal a very severe blow to the economy of Tatarstan in comparison with other Russian regions: the republican GRP decreased by 3.4 percent in 2009 against the average decline of the Russian GDP by nearly 8 percent. To overcome the consequences of the crisis, Tatarstan received emergency financial assistance from Moscow, first and foremost as federal budget loans—15.1 billion rubles in 2009 and over 2.3 billion rubles in 2008—at a very low interest rate (Vartapetov 2011). Direct federal budget transfers to Tatarstan’s budget also doubled over the same period from 6,500 rubles to 13,000 rubles per capita (compared to the RF’s average of 11,300 rubles in 2009).

Nevertheless, the 2008–2009 crisis demonstrated the vulnerability of the existing regional governance model with its excess dependence on hydrocarbon production. Assistance granted by the FG certainly helped the republic during the crisis, but the very need to rely on such assistance meant the weakening of Tatarstan’s bargaining capacity in its dialog with Moscow. In addition, faced by the dramatic widening of the federal budget deficit in 2010, Tatarstan’s leaders were quick to understand that the Kremlin would face much tighter budget restrictions and the regions would find it increasingly hard to compete for federal resources. At the same time, the loss of control over the Bashneft oil company by neighboring Bashkortostan in 2009 demonstrated the risks of the possible hostile seizure of key assets remaining under regional control. In other words, there were multiple threats to the preservation of traditional Tatarstan rents, including higher risks of a much lower oil price and of losing control over what was left from the oil income stream. All this explicitly forced Tatarstan’s elites to think about an alternative developmental path in the new environment of lower oil prices and higher political risks.

The elaboration of the Tatarstan-2030 Development Strategy (Strategy-2030) was a response to those challenges. This ambitious project was initiated by President Minnikhanov.<sup>14</sup> The preparation of Strategy-2030 lasted approximately three years and involved serious external expert support.<sup>15</sup> This process facilitated the formation of a coherent vision of Tatarstan’s future as a “global region” with a high level of integration into international markets. Strategy-2030 aims to position Tatarstan as a leading Russian region in terms of the quality of human capital, institutions, infrastructure, external integration, and internal space.

Strategy-2030’s baseline scenario assumes nearly doubling the per capita GRP by 2030, economic diversification, acceleration of business innovation, environmental improvements, and significant growth in direct foreign and overall fixed capital investment. It envisages growth

in aggregate R&D expenses from less than 1 percent of GRP in 2014 to 3 percent of GRP in 2030, which corresponds to the expenditure levels of global innovation leaders. The implementation of the Innokam cluster project, which envisages a triple increase in output by 2020, is considered a key growth driver in the medium term.

Simultaneously with the preparation of Strategy-2030, Tatarstan’s authorities reviewed the experiences of structural transformation accumulated in Singapore, Malaysia, and other Southeast Asian (SEA) countries. They also launched several large cluster development initiatives as a basis for accelerating business innovation (the Innokam and Innopolis projects).

From the very beginning, the implementation of this new strategy faced serious challenges. First of all, starting in 2013, Russia increasingly began moving toward confrontation with the West and it reached a “point of no return” after Crimea’s accession and the military conflict in eastern Ukraine in 2014. International sanctions imposed on Russia by the European Union and the United States strongly affected regional attempts to attract additional FDI. It could be said that the process of elaborating Strategy-2030 in Tatarstan started in 2012 under a specific set of policy conditions, but it was completed in the spring of 2015 in a fundamentally different political environment.

Given the acute confrontation with the West, a long-term regional strategy aimed at Tatarstan’s integration into global value chains, increased openness, and attracting FDI can be perceived as a document opposing the national self-isolation policy conducted by the Kremlin. Nevertheless, the Tatarstan State Council approved Strategy-2030 in June 2015 as a republican law, after which Rustem Minnikhanov actually used Strategy-2030 as his re-election program during the Tatarstan presidential elections in September 2015, which he won with over 94 percent of the popular vote.

Our interviews with the external drafters of Strategy-2030 and local experts show that its development process had a largely top-down format. Senior regional leaders, including President Minnikhanov, were involved at all stages of the preparation of Strategy-2030 and explicitly expressed their views concerning its essential principles. At the same time, the analysis of opportunities and constraints to regional development was performed in a consultative way, with the participation of all the main stakeholders, and the results of such analysis were made publicly available on the project’s website (<http://tatarstan2030.ru/>). Therefore, it is fair to say that by the time the draft Strategy-2030 was completed, the regional elites had made a significant step toward a new consensus regarding Tatarstan’s future development—including its focus on integration into global markets, innovation, and technological modernization.

The evolving nature of this elite consensus has to be explicitly underlined. Before 2010, the consensus was

primarily of a defensive nature: it focused on the preservation of control over the existing assets, rents, and status. After 2010, the conditions were put in place for gradual transition toward a “modernization consensus,” which, to a significant extent, was driven by the personality of the new Tatarstan president and his personal ambitions.

More generally, the nature and format of Strategy-2030’s drafting triggered a fundamental change in Tatarstan’s governance model that could be interpreted as its movement toward a “developmental state.” We believe that incentives for such a change (which could be observed elsewhere in the RF as well, but are particularly pronounced in Tatarstan) are caused by the recent change in external (for regional elites) political and economic circumstances.

The new political situation in Russia (related to the fiscal weakening of the FG and growing tensions between the Russian ruling elite and the West) has escalated the risks of a fresh redistribution of regional revenues and assets in favor of the FG. Such risks are objectively higher for the regions depending on oil and mineral resources production, including Tatarstan. At the same time, after 2014, when the Kremlin succeeded in securing the necessary popular support through “political mobilization,” it became no longer sufficient for a region to display political loyalty (by voting for the “party of power”) to preserve the status quo. The experience of several of Russia’s regions (including Belgorod, Kaluga, Ulyanovsk, and Voronezh) has shown that the quality of regional economic performance and the governor’s capability to resolve local problems are becoming increasingly important for maintaining the regions’ good relations with the Kremlin.

In other words, the intensified pressure from the top, along with reduced access to federal resources, has thrown Tatarstan’s elites into a dilemma: either to face a higher risk of losing their autonomy and assets or to strengthen the economic basis of autonomy through diversification (with a stake in new sectors less dependent on commodity prices and the FG’s policy) and accelerated economic growth. The choice of the second option, however, would mean the need for an in-depth transformation of the existing governance model, and the Tatarstan leadership was fully aware of this. Tatarstan’s attention to the developmental experiences of SEA countries, particularly of Malaysia with its multi-ethnic and multi-confessional society and diversified economy, was quite indicative in this respect.

On the whole, some current characteristics of the governance model in Tatarstan are already quite similar to those of the catching-up developmental model typical for SEA countries (Lee 2000; Amsden and Chu 2003; Fritz and Menocal 2007; Sabel and Jordan 2015). These shared characteristics include the following:

- a respected political leader with a long-term vision, interested in sustainable national development and

capable of formulating long-term developmental goals acceptable for key elite groups and society at large;

- healthy patriotism of the national/regional elite and its consolidation in the face of external threats and challenges; that is, robust elite consensus and broad elite commitment to development;
- the presence of serious external challenges to the customary existence of traditional elites;
- policy emphasis on the development of efficient and motivated civil service as well as on improvements in the provision of public services; and
- policy orientation on integration into global markets and global competitiveness.

From the institutional perspective, Tatarstan’s existing governance model could be assessed quite positively against a number of characteristics of the DS model as they are commonly presented in the academic literature (Chibber 2014; Doner, Ritchie, and Slater 2005; Evans 2014). In particular, over the past 25 years, Tatarstan has accumulated considerable institutional strength in the following areas that are seen as critical for transition toward a capable DS. First, it has coherent government policies, capacity to coordinate diverse interests, and capabilities to deliver improvements to core public services (e.g., education and public order). Second, it has developed close links between the government and leading local businesses, while sufficient government autonomy is preserved to allow the effective monitoring of existing PPPs. Corruption has also been controlled. Third, it has a capable apex institution with a strong coordinating and monitoring mandate (this role is played by the president’s office for strategic priorities and the Tatarstan prime minister’s office for all other goals).

Another common feature of Tatarstan and successful SEA countries is the formation of an autocratic political regime capable of ensuring policy continuity over an extended period. At the same time, the strong “power vertical” ensures that defiance to comply with a directive of the chief executive is fraught with serious risks. The innovative model of economic development cannot depend on over-centralization in the decision-making process.<sup>16</sup>

Overall, we believe that a transition toward the developmental state in Tatarstan remains a feasible option, even under the current highly unfavorable external political circumstances. But, for Tatarstan to make any real progress in this direction, additional significant adjustments will be needed. In particular, an important distinction of Tatarstan’s evolving governance model from the prominent examples of the developmental states in SEA concerns the degree of the economy’s openness to new market entries—both Russian and foreign ones. At the early stages of economic development, some SEA governments also preferred to keep their markets closed. Specifically, South Korea in the 1960s–

1980s prioritized the borrowing of technologies using foreign credit resources instead of encouraging FDI. However, today, technological breakthrough in a small economy such as in Tatarstan is no longer possible without the market opening to foreign investors that are technological leaders in their respective sectors.

Tatarstan's elites are very selective in admitting "strangers" to the incumbent enterprises for fear of losing control. This approach lowers the risks associated with potentially drastic corporate restructuring and restricts external investor opportunism. But, on balance, the existing system of control by regional elites also hampers the inflow of external investments, particularly into incumbent enterprises and areas outside the SEZ and clusters. As a result, the low FDI inflow deters export growth, slows down diversification, and limits the region's globalization prospects. Tatarstan has reached the point when the incumbents' desire to retain control over all key assets has become an obstacle to further development. Here, one could argue that exactly the same factors that contributed to Tatarstan's success in the pre-2009 period (intra-elite cohesion and the elites' ability to defend their interests against external players) also make a transition to a new developmental path more complicated.

Global experience also suggests that the role of entrepreneurship and new enterprises, particularly medium-sized businesses, increases significantly during the transition to the catching-up developmental model. The experience of China in this area is quite relevant: there, economic growth over the initial stage of reforms was driven largely by the creation and rapid development of new township and village enterprises (TVEs) established under the control of, and with the personal participation of, representatives of the local party elite (Putterman 1997; Weitzman and Xu 1994). Our interviews in Tatarstan suggest that the weakness of the local SME sector is broadly acknowledged as a serious problem in Tatarstan; for the time being, however, state support for SME development is largely seen as an instrument to attain social objectives, such as reductions in unemployment, not as a tool to inject more economic dynamism.

Moreover, we have identified three particular areas where Tatarstan would require further institutional strengthening to meet "the performance standards" of a developmental state. First, while the arrangements for state monitoring of corporate performance have been well established and are functioning well, the mechanism of sanctions for business non-compliance with the agreed performance targets remains largely informal and non-transparent. How to impose discipline on companies that are controlled by members of local elites is a key problem for many developmental states. In this respect, over the last decade there has been some, albeit slow and insufficient, progress in Tatarstan that was driven by the overall hardening of budget constraints in the real sector, related to the

gradual removal of various social and political restrictions on business restructuring (such as release of surplus labor). It provided businesses with more room for implementing profit-maximizing strategies, while at the same time it raised the personal responsibility of business managers and owners for the performance of their companies.

This shift toward more discipline for companies controlled by influential insiders can be illustrated by the 2017 case of the failure of Tatfondbank (TFB), the republic's second largest bank, controlled by Robert Musin. For more than two decades Musin had been considered one of the most significant business players in Tatarstan; he was rated 11th in the list of Top-100 businesspeople in the republic before his downfall in 2017.<sup>17</sup> Musin's group included diversified business interests in agriculture, retail, textiles, and banking. For a long time, it had been characterized by a problematic business performance, but apparently there was no political will to impose discipline on the group's operations. In 2011, for instance, the Tatarstan government provided additional relief to the TFB group by transferring several of its companies that were in a pre-bankruptcy state to another regional holding. These assets were transferred with their liabilities, which exceeded \$500 million.<sup>18</sup> But this did not help to improve the performance of the TFB, which continued to lend money largely to businesses personally controlled by Musin that overall kept generating large losses. Ultimately, by 2017, the accumulated hole in TFB's balance sheet reached \$2 billion,<sup>19</sup> which triggered the intervention of Russia's Central Bank. This time around, Tatarstan's elite made a decision that the republic could not afford another bailout of Musin. They agreed to proceed with the bankruptcy of TFB, while Musin was charged with fund tunneling and other violations of banking law and was jailed.<sup>20</sup> This case was seen in Tatarstan as a message to other elite members that the rules of the game had changed and from now on there was both the political will and the capacity to impose market discipline even in high-profile cases.

Second, there is a growing concern regarding the capacity of the Tatarstan government to adequately tax the elite in order to provide sufficient funding for investing in development priorities.<sup>21</sup> This concern reflects both rapidly growing income inequality in Tatarstan and the fact of massive wealth accumulation by specific individuals. Third, little progress has occurred with respect to the expansion of the existing coalition between political, administrative, and business elites to ensure broader representation of diversified civil society interests.

Tatarstan's specific distinction from SEA countries also reflects the simple fact that it is not an independent state but a region within a large federal country. The country-wide policies and regulations formulated in Moscow may promote or hamper positive dynamics in Tatarstan. In the

present-day situation, the implementation of any of Tatarstan's long-term developmental initiatives faces a considerable risk of being inconsistent with federal policies and thus worsening Tatarstan's relations with the Kremlin. This is because, currently, the FG's lack of a nation-wide developmental vision may easily generate tensions between long-term goals pursued by Tatarstan and the Kremlin's excessive focus on short-term tasks. The recent signs of deteriorating relations between Kazan and Moscow include the FG's refusal to extend the treaty on the separation of powers, refusal to bail out Tatfondbank, and the indefinite postponement of construction of the high-speed Moscow–Kazan railroad.

The current inconsistency in development strategies between those pursued by Russia's advanced regions and that of the FG represents a fundamental risk to the sustainability of regions' attempts to transform their governance models in the direction of the DS. Our analysis suggests that a pro-development model at the regional level could not co-exist for an extended period of time with a federal strategy that does not show any clear developmental vision and shared agenda. To become sustainable, regional attempts to develop a DS must be complemented by a significant change in common rules of the game at the national level. The experience of China suggests that a regulatory and institutional framework introduced and sustained by the central government, and a shared incentive structure across various government levels, are critical for the successful implementation of regional initiatives in the area of economic governance—what is called “market preserving federalism” (Weingast 1995).

## CONCLUSION

The developmental experience of the Republic of Tatarstan during the past 25 years is of considerable interest with respect to understanding the adjustments to regional developmental strategies that have taken place in response to drastic changes in the external environment. The recent history of Tatarstan presents examples of successfully coping with serious external shocks on the basis of an established elite consensus and elite cohesion. Under the extreme uncertainty of the 1990s, Tatarstan's leaders managed to reach important political compromises and organize a dialogue across ethnic and religious groups, thus reducing the risk of internal conflicts. Due to a cautious reform strategy and readiness to seek compromises in relations with the FG while consistently advocating the region's own interests, the regional elites succeeded in sustaining internal stability, which, in turn, became the reason for Tatarstan's leaders gaining the trust of top federal officials. The key outcomes of this success are manifested in the preservation of control by the regional elites over the main

enterprises located in Tatarstan and gaining wide political autonomy for the region.

Considerable strengthening of the FG after 2000 called for an adjustment to Tatarstan's earlier strategy. The flexibility of Tatarstan's elites and their capability for robustly implementing major projects were key to the successful formation of a new balance in relations with the Kremlin. Active participation in federal initiatives enabled Tatarstan to secure new sources of federal funding.

The crisis of 2008–2009 exposed the problems of Tatarstan's existing economic model. Elaboration of Strategy-2030 can be seen as evidence of a new elite consensus emerging regarding the transition to an alternative developmental path. Before 2010, the elite consensus in Tatarstan was largely defensive: it was focused on the preservation of existing rents and status. After 2010, the prerequisites were put in place for transition toward a “modernization consensus.” The regional policy focus shifted toward support for innovation, human capital development, attracting FDI, and implementation of the best international governance practices.

Elite cohesion—which reflects effective mechanisms of interest reconciliation and conflict resolution within the main elite groups, developed intra-elite communication arrangements, and sustainable elite consensus regarding regional developmental priorities—has been an important comparative advantage of Tatarstan during the entire post-Soviet period. Other advantages of Tatarstan's governance model include effective mechanisms of interaction with the FG, predictability of regional policies, lower costs and risks of conducting business, and additional guarantees for investors who are ready to invest in Tatarstan's priority projects. Owing to the unifying concept of regional identity, the heterogeneous ethnic and religious make-up of Tatarstan's population has been transformed from a potential risk factor into one of the region's competitive advantages.

Tatarstan presently demonstrates the potential for moving toward the DS model, as the key prerequisites for such transition are currently in place: elite cohesion; a dynamic and reputable leader; national ambitions; and serious external challenges threatening the existence of traditional elite groups in their current form. However, because elite cohesion is so dependent upon slowly moving cultural factors, the prospects for the direct replicability of Tatarstan's experiences in other RF regions are limited.

Nevertheless, implementation of the ambitious “catching-up development” plans embedded in Tatarstan's Strategy-2030 faces essential obstacles. Those include the existing “closed” ownership structure of core assets, and lower salaries compared to Russia's average, causing an outflow of qualified labor from Tatarstan. The incumbent elites of Tatarstan are quite reluctant to share their resources and status with new players. Elite cohesion, including elites' ability to defend their

interests against external players—the very factors that made Tatarstan successful in the 2009 period—could hinder its transition to a new developmental path.

When compared against the “standards” of the DS model, Tatarstan’s institutional capacity is relatively weak in the areas of establishing transparent mechanisms for sanctioning poor business performance, taxation of local elites for additional financing of developmental priorities, and broadening the elite coalition to include new players and reflect additional social interests.

The new challenges that the Tatarstan elites must address are not uniquely Tatarstan’s problems. They must be addressed by any society whose stability depends on the intra-elite arrangements concerning rent distribution. The exhaustion of the existing rent sources often puts such regimes at risk of intra-elite splits, destabilization, and crises.

The alternative scenario (which in practice has occurred relatively rarely) comes down to collective self-restriction of elites during the crisis with a simultaneous search for new rent sources and enlargement of the composition of the “ruling coalition” by admitting new participants capable of infusing more dynamism into the existing governance model. This implies expanding economic and political opportunities for new, more efficient players. It also implies a transition toward a more complex and sustainable governance model that is based on a wider spectrum of interest groups.

In our assessment, the recent tightening of regional budget constraints and the enhancement of regional competition over available resources has created new challenges for Russia’s regional elites. In selected regions, these challenges, aggravated by additional pressures from the FG, could facilitate fundamental transformation of regional developmental strategies and their greater focus on addressing the core modernization agenda in the logic of the DS. Higher potential for such transformation exists in regions that have characteristics that are conducive to a transition toward the DS: higher resource wealth, stronger management capacity and leadership, greater autonomy, regional patriotism, and elite cohesion. Practical prospects for this transformation will depend on the regional elites’ readiness for self-constraint, their ability to preserve coherence under conditions of growing pressure from the FG, and the constructiveness of the federal regional policy.

Our analysis highlights the fundamental difficulties Russia’s modernization is confronted with by pointing out the political-economy obstacles faced by one of the RF’s most successful regions. Moreover, regional attempts to transform their governance models in the direction of the DS face a fundamental risk linked to the lack of a clear developmental strategy at the federal level.

The experience of 2016–2018 suggests that the lack of a responsible regional policy on the part of Russia’s FG could become the binding constraint for transformation of regional developmental strategies. To the outsider,

inconsistent, even chaotic, federal decisions in the realm of regional policy, which regularly antagonize and upset the regional elites, may indicate the absence of any meaningful medium-term federal strategy for inter-governmental relations. It has been replaced by activities of various powerful individuals who have been using various federal institutions they control to pursue their own private goals. This makes regional elites insecure and unmotivated. If this situation continues for an extended period, any longer-term regional strategies become meaningless. Instead, regional elites would be encouraged to switch back to a more traditional mode of operation—to stop their modernization efforts (both policy reform and long-term investment projects) and instead to invest their political capital in the protection of their wealth (including through additional capital transfers outside of Russia).

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## NOTES

1. As the former deputy prime minister Igor Shuvalov said at the St. Petersburg Economic Forum in June 2017, “everyone is used to Tatarstan being the leader” (<https://realnoevremya.ru/articles/67146-prezentacii-nacreytinga-sostoyaniya-investklimata-v-regionah>).
2. <http://asi.ru/investclimate/rating/>.
3. <http://oporamo.ru/doc/ind.pdf>.
4. Andrey Starodubtsev (2018) also argues that the lack of elite cohesion represents a major developmental obstacle for Russia’s regions because intra-elite conflicts undermine the key element of good governance—state capacity. At the same time, in his view,

a combination of elite cohesion with strong motivated leadership could overcome many of Russia's traditional developmental constraints. Starodubtsev further points to Voronezh oblast as an example of a region that recently has benefited from such a combination of favorable political conditions.

5. Intra-elite cooperation in Bashkortostan, which has a much more diverse population structure, has been further strained by difficult relations between the Tatar and Bashkir populations. Bashkirs constitute an ethnic minority in the region, being less populous than Russians and Tatars.
6. Stanislav Shkel (2019) explains why regional political machines that emerged in Russia's regions in the 1990s proved to be most successful in the country's ethnic republics. Kimitaka Matsuzato (2001) and Gulnaz Sharafutdinova (2013) provide a detailed analysis of the formation of the successful political machine in Tatarstan.
7. Specifically, de-criminalizing the control over JSC Kazanorgsintez and Nizhnekamskneftekhim created conditions for their successful modernization as part of the TAIF holding established in 1995.
8. This treaty was signed in 2007 after extensive negotiations for a term of ten years; although in many respects it was merely symbolic, it reconfirmed the special status still enjoyed by Tatarstan.
9. Although the holdings in the oil and petrochemical sectors had already emerged in the second half of the 1990s, the key event for other economic sectors was the establishment of the Svyazinvestneftekhim Joint-Stock Company in 2003, followed by the transfer of many enterprises to the Ak-Bars Holding Company in 2004–2005.
10. Compared to other Russian regions, Tatarstan shows the highest degree of cultural assimilation of its Muslim and non-Muslim population and an elevated level of religious tolerance (Braginskaia 2012).
11. Rushan Gallyamov (2001) points to the importance of common professional experience for the formation of consolidated elite groups in the environment of Russia's ethnic republics.
12. For instance, Farit Gazizullin, first deputy chairman of the Tatarstan government since 1991 in charge of matters of privatization and industrial management, in 1996 became first deputy chairman of the RF State Property Committee; and in 1997, vice-premier and minister of property relations. Kamil Iskhakov, Kazan mayor since 1991, in 2005 was appointed RF presidential envoy to the Far Eastern Federal District.
13. This event was later described by the regional media as an attempted "palace reshuffle" initiated by the chief of staff at the Tatarstan presidential administration (Khalyaf Nizamov), Naberezhnye Chelny administration head (Rafgat Altynbaev), and the interior minister (Iskander Galimov), with the support of several district administration heads (<http://kazan.bezformata.ru/listnews/vsesilnij-avtor-putcha-glav/12834907/>). Mintimer Shaymiev succeeded in retaining control over the State Council owing to the active support of Kazan administration head Kamil Iskhakov and chief of the presidential security service Asgat Safarov. As a result of this conflict, the interior minister was replaced by Asgat Safarov, and one of the coup's main initiators was promoted to the Russian Federation Council. For more details see Matsuzato (2001).
14. However, the strategic discussions over Tatarstan's developmental agenda have been ongoing since the 1990s (Shaymiev 2001). <https://www.business-gazeta.ru/article/106243>.
15. In all autocratic regimes, too much depends on decisions of the chief executive. Tatarstan is no exception in this respect, but the question remains as to what extent a charismatic leader can institutionalize his/her modernization policy. Will he/she succeed in creating a system of institutions capable of continuing to operate after leadership change? If this is not done, the country, which is functioning well in "a manual mode," will most probably start degrading after the leader is replaced and may even fall into self-destruction

(something we have witnessed in many countries in North Africa and the Middle East during the "Arab Spring").

17. <https://www.business-gazeta.ru/article/341722>, April 3, 2017.
18. <https://www.business-gazeta.ru/article/43593>, July 19, 2011.
19. <http://tatcenter.ru/news/tatfondbank-priznali-bankrotom-na-raschet-s-kreditorami-ne-hvataet-120-mlrd-rublej/>, April 11, 2017.
20. <https://www.rbc.ru/finances/03/03/2017/58b9d31b9a79476312dbade1>, March 3, 2017.
21. It is worth noting that, in the 1990s and early 2000s, Tatarstan used to tax the elites at a higher rate; it utilized the mechanism of regional extra-budgetary funds to accumulate significant additional resources to finance its social policy and sectoral priorities.

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