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**TRENDS AND OUTLOOKS**  
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R95 **Russian Economy in 2018. Trends and Outlooks. (Issue 40)** / [V. Mau at al; ed. Editors – Alexei Kudrin, doctor of sciences (economics), Alexander Radygin, doctor of sciences (economics), doctor of sciences Sergey Sinelnikov-Murylev, doctor of sciences (economics)]; Moscow: Gaidar Institute Publishers 2019. – 616 pp. – ISBN 978-5-93255-556-9

The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 40th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the socio-political issues and challenges; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

*Reviewer:* Lev Yakobson, Doctor of sciences (economics), professor, first pro-rector, NRU-HSE.

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## North Caucasus in 2018: factors of changes<sup>1</sup>

This section deals with a brief evaluation of developments in the regions of North Caucasus in 2018 as they can be regarded as indicators of significant changes in that part of the country. Such developments include personnel changes in the government of Dagestan where for the first time in the post-Soviet period key positions in the region were taken by officials who never worked in that republic, as well as large-scale public activities in Ingushetia over the issue of the region's borders.

### 6.8.1. Dagestan: economic consequences of “Cleansing” of clan bureaucracy

In 2018, federal law enforcement units carried out “cleansing” of crony bureaucracy in Dagestan, an unprecedented act for North Caucasus. As a result, criminal cases were brought against the head of the region's government, two vice premiers, three ministers and heads of territorial authorities of a number of federal bodies in Dagestan. On the back of personnel changes which followed that “cleansing”, in the region's governing bodies the share of executive officials who never worked in the republic before has grown. At present, such officials include Vladimir Vasiliev, Head of Dagestan (who became the acting head of the region four months before the initiation of criminal cases) and Artem Zdunov, Chairman of the Government (who was appointed after the arrest of his predecessor Abdusamad Gamidov in February 2018).

A large-scale attack on crony officials and emergence in the region's leadership of officials who were not involved in any groups of interests in the local bureaucracy gave rise to expectations of “the rules of the game” in the economy – such non-transparent rules which do not comply with the federal legislation were formed for decades of the “clan” rule in Dagestan – to be modified. After large-scale personnel changes in the region, it is too early to make conclusions on whether they were successful. However, it is worth analyzing the situation in those sectors of the regional economy where the issue of non-transparent mechanisms of regulation was earlier believed to be the most acute one.

#### ***Building***

One of the first sectors where with a leadership change in the region new developments affected all the players was the building industry. Violations in housing development used to be one of the main issues Vladimir Vasiliev publicly referred to

<sup>1</sup> This section was written by K. Kazenin, Gaidar Institute, RANEPА; I. Starodubrovskaya, Gaidar Institute, RANEPА.

from the very date he was appointed the head of the region. What is meant here is the practice of issuing illegally building permits and non-compliance with engineering standards in building of apartment houses. In addition, the region's leaders and new members of the government repeatedly criticized the state of things in production of building materials, particularly, bricks: it was specified that brick-making plants in the Republic used technologies which were dangerous to the environment and lots of such plants did not have any registration whatsoever. It is noteworthy that during the post-Soviet period, housing development in Dagestan was one of the most viable sectors of the economy with a high level of competition between local businessmen and a widespread practice of informal relations between market participants (for example, a standard practice was a "barter" exchange of apartments in new houses for building materials supplied). According to market participants' numerous evidence, the practice of issuing building permit documents largely depended on informal relations between developers and state authorities; as a result of such a practice unjustified building permits were often issued.

As of the end of 2018, it can be stated that the situation in the building industry of Dagestan has largely modified since completion of personnel changes in the government. As a result, numerous building permits issued earlier were withdrawn. According to the information of the press office of the Head and the Government of Dagestan, as of November 2018 there were 384 apartment houses either already built or under construction whose permit documents were found illegal. At present, construction of most such buildings is suspended and the issue of their demolition is considered by courts of law. Also, according to the data of the government of Dagestan by the end of 2018 out of 60 brick-making plants operating in the Republic 44 plants stopped working because of noncompliance with ecological requirements. It means that effective prohibitive measures against illegal practices in building and production of building materials were implemented.

As of the date of preparation of this Review, no official data were available to receive a quantitative evaluation of the effect of the measures in question on the state of the building industry (it is to be noted that in 2018 the official statistical data of Dagestan are unlikely to make it feasible to produce any reliable evaluation because the official statistics on building in Dagestan in previous years – such data could be used for comparison purposes – are not regarded by experts as trustworthy). Market participants claim that in 2018 the volume of building in Dagestan decreased nearly by a half. At the round table meeting held in Makhachkala on December 18<sup>1</sup>, businessmen said that such a reduction of the extent of building was related not only to the withdrawal of the existing building permits, but also the procedure for issuing new ones which became much more complicated. Also, local businessmen noted that building companies from other subjects of the Russian Federation won tenders held in the Republic.

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<sup>1</sup> Novoe Delo, December 19, 2018 URL: <https://ndelo.ru/novosti/problemy-stroitelnoj-otrasli-dagestana-obsudili-na-kruglom-stole>

So, as of the end of 2018 changes which took place in Dagestan' building industry largely facilitated solution of the existing deep-rooted legal problems, but failed to create conditions for growth or solid prospects for survival of local businesses. It is clear that the future of the building industry which experienced so far the effect of personnel changes in the government of the region more dramatically than other sectors of the economy will depend on the steps to be taken by Dagestan's leadership to create new business-friendly "rules of the game" instead of those denounced.

### *Land Relations*

One of the Republic's specific issues, which Dagestan's new leadership has repeatedly declared its commitment to solve, is the legislative regulation of agricultural land utilization. What is primarily meant here is the distant-pasture cattle tending lands with the total area of over 1.5m ha. It is flatlands which used to be provided to mountain farms for cattle ranging. At present, the utilization of such lands is regulated by the Republic's special law under which lands are deemed the property of the Republic and rented out to agricultural sector enterprises. The key problems related to distant-pasture cattle tending lands include: firstly, a large number of spontaneous settlements on such lands where people from the mountains move to<sup>1</sup> and, secondly, a highly nontransparent nature of lease relations and corrupt practices associated with them where large leaseholders who received distant-pasture cattle tending lands at their disposal at unjustifiably low prices subleased them unofficially to businessmen. These problems are recognized by Dagestan's new leaders, as well<sup>2</sup>.

It is possible to single out two major things which the new leadership of Dagestan has managed to achieve on distant-pasture cattle tending lands to change the situation for the better.

Firstly, the authorities are determined to carry out the inventory of such lands and analysis of the existing rent agreements. Such actions can be regarded as a preliminary step for taking a general decision on the status of those lands, which is infeasible to do without more accurate knowledge of the actual situation there. On the other side, it is to be remembered that Dagestan's authorities repeatedly declared their inventory plans in the previous years, too, however, no concrete decisions were made after the inventory stage.

Secondly, the initiatives from "the below" as regards distant-pasture cattle tending lands fail to receive support. In particular, the call by residents of the Nagaisky District of Dagestan for a district referendum to be held on the status of distant-pasture cattle tending lands was not supported<sup>3</sup>.

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<sup>1</sup> K.I. Kazenin. *The Components of Caucasus: Land, Power and Ideology in the Republics of North Caucasus*. Moscow: REGNUM, 2012. C.6–21.

<sup>2</sup> Social Activists Advise the Minister to Carry Out the Land Reform. AiF Dagestan, May 15, 2018. URL: [http://www.dag.aif.ru/society/huzhe\\_chem\\_est\\_chego\\_hotela\\_kumyyskaya\\_obshchestvennost\\_ot\\_tolstikovoy](http://www.dag.aif.ru/society/huzhe_chem_est_chego_hotela_kumyyskaya_obshchestvennost_ot_tolstikovoy)

<sup>3</sup> The authorities in Dagestan refused the Nogai to hold a referendum // Kavkazsky Uzel, September 8, 2018. URL: <https://www.kavkaz-uzel.eu/articles/325135/>

So, there is a situation where the authorities have recognized the existence of a deep-rooted problem in land relations, but do not publicly identify the ways of solving it, nor support the initiatives of the population on this issue. Assessing the prospects of the situation around distant-pasture cattle tending lands, experts warn that the issue in question is a source of risk for inter-ethnic relations in Dagestan and is constantly raised by public ethnical organizations<sup>1</sup>. If no concrete strategy is developed in respect of this problem, it may have adverse consequences for the region's socio-political situation.

### 6.8.2. The conflict process of establishing trans-regional borders

In 2018, the process of amendment of borders between subjects of the Federation in the North Caucasian Federal Okrug was initiated. It began on September 26 when the leaders of Ingushetia and Chechnya signed an agreement on the administrative border between the two republics. Early in 2019, a similar procedure was started between Chechnya and Dagestan. The process which was originally, by all accounts, perceived as a bureaucratic formality has resulted in a surge of protest activities in North Caucasus in the past few years. Social consequences of that decision were explicitly underestimated. The border issue has opened a Pandora's box: land disputes which seemed to have calmed down started anew<sup>2</sup> and the hurt related to the loss by the Ingush of the Prigorodny District<sup>3</sup> was refreshed again.

The information on road works from the side of Chechnya on the territories which in absence of the established border were deemed to be a part of Ingushetia stirred up the general public in Ingushetia even before the agreement was signed. At that time, the negotiations started between nongovernmental organizations on a joint preparation of the forum for discussion of the border issue. When it became known that the decision on the transfer to Chechnya of the territories which were perceived as original Ingush territories had been already taken behind-the-scenes without public consultations held and the general public being informed, a spontaneous meeting, which gathered at some points up to 100,000 persons was held in the Ingush capital of Magas. The meeting continued day and night for two weeks running.

Protest activities in Ingushetia can be characterized by the following:

1) smoothing of traditional "fault lines" in the Ingush society. The most vivid example was the fact that religious differences – both between different groups within the limits

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<sup>1</sup> A. Z., *Adiev*, R.A. *Murzayev*. The Ethno-Confessional Aspects of Land Conflicts in North Caucasus // *Vlast*, 2014. Vol. 22. No. 1. pp. 177–179.

<sup>2</sup> In 2012–2013, there was a conflict between the leaders of the two republics over the Sunzha District of Ingushetia which was included by the Chechen legislation on borders of municipal districts into Chechnya.

<sup>3</sup> Before the deportation of the Ingush in 1944, the Prigorodny District was a part of the Chechen-Ingush Autonomous Soviet Socialist Republic (ASSR); later it was transferred to North Osetia and remained a part of it after the return of the deported population. In 1992, a violent conflict took place there and the Ingush residents had to leave it. The consequences of that conflict have not been overcome till the present day.

of the traditional Sufi Islam and between the Sufi and the Salafits – were overcome during the protests. One of the most respected elders publicly apologized before the Salafit youth for unjust treatment in the past. During the meeting, religious-type rituals were held by imams of different Islamic trends. Also, various non-governmental organizations which earlier opposed one another consolidated in the face of the common threat and facilitated the organization of the protests. It is noteworthy that most law enforcement officers stood together with the protesters and performed Namaz (prayed) with them;

2) differentiation of the attitude to protests within the framework of traditional groups. So, some religious figures, including both the Sufi and the Salafits opposed meetings. In opposition to the opinion of their teips (groups of blood relatives), some representatives of the elite supported the agreement on the border, though they ran the risk of being expelled from their teips, a severe punishment in a conservative community. At the same time, there were divisions on this issue in the elite, too: some deputies and members of the Constitutional Court of the Republic opposed the approval of the agreement;

3) an active participation of the youth and women in protests, that is, the groups which normally have a subordinate position in the conservative community. But in those protests, they showed initiative, organized the meeting, participated in the negotiations and occupied key positions in information coverage of the developments. Along with the most respected elders and social activists, journalist Izabella Evlova became a symbolic figure of the protests;

4) a high level of organization of the meeting where spontaneous manifestations of the aggressive behavior were just single and no violent actions were observed. Leaders of the Ingush civil society whose community work earned them a great reputation managed to keep the spontaneous public protest under control and prevent it from becoming radicalized. During the meeting, there were moments when the situation could get out of control, but they managed to prevent it, though more radical groups, which disagreed with the moderate course adopted by the protest leaders, left the meeting;

5) no violent crackdown by the authorities on the protest; only targeted reprisals against protest leaders. Unlike other regions, the Ingush authorities were more tolerant to protesters. It can probably be explained by the fact that those were mass protests with participation of the older generation and women, the regional elite was split on this issue and local law enforcement officers explicitly supported the protests. Two days later, the meeting was approved by the authorities. In their turn, the protesters met the authorities halfway and agreed to change the place of the meeting. After the expiry of the agreed upon term of the meeting, the protesters left. However, it does not mean that the authorities completely gave up the idea of exerting pressure on protest organizers. Several persons were dismissed for far-fetched reasons from prestigious jobs (in Ingushetia where the number of jobs is limited a person who was dismissed may face serious problems). Also, protest activists were subjected to pressure from law enforcement agencies, particularly, the Center for Prevention of Extremism.

Nongovernmental organizations which actively took part in the protests fear to be closed down by the authorities; some of them experience problems with renting premises.

After the meeting was over, the protest assumed an institutionalized form. Despite the fact that on December 6 the Constitutional Court of the Russian Federation found the agreement on borders compatible with the Constitution of the Russian Federation, protest organizers were going to continue their campaign to secure a fair decision via utilization, both of international legal norms and provisions of the traditional law which was in effect in the territories of Ingushetia and Chechnya. However, the decision of the Constitutional Court of the Russian Federation caused a great disappointment in the Ingush society. Social activities started to decline.

Can one say that the situation in Ingushetia has stabilized and does not entail any risks? Actually, the most likely scenario is as follows: having failed to produce positive results, the mass protest mobilization came to naught and left the society in discontent and depression. It is unlikely that protests will resume again in the near future. Though the protest organizers kept the movement within moderate frameworks, made compromises and held negotiations with the authorities and complied with the “rules of the game”, they failed to achieve the goals, so, it is highly likely that at the next stage of social activities new protest leaders may emerge and they will be more radical and less bound by conventionalities of the traditional society. If it happens, protests may embark on another, more devastating, trajectory. In any case, such risks will remain in the mid-term prospect. However, if the authorities try to intensify pressure, resort to repressions and crack down on organization centers of the current protests, the abovementioned risks may materialize in the short-term prospect.