

Authoritarian state capitalism: Spatial planning and the megaproject in Russia

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Abstract

The phenomenon of state capitalism is attracting growing attention in economic geography and political economy. We contribute to the debate by exploring the authoritarian state capitalism variant whereby the state moves beyond a predominantly regulatory role and appears as the dominant actor. We take Russia to be a prominent example of authoritarian state capitalism because the central state has subjugated economy, created organisational structures and designed development strategies to serve the interests of the kleptocrat, inverting the conventional meaning of ‘state capture’. The paper illustrates the centrality of the state by exploring two state-sponsored megaprojects: (i) the upgrade of the Northern Sea Route and (ii) the construction of innovation clusters (Skolkovo). In the first case, the state directs resources to the Northern Sea Route to secure Russia’s control of the Arctic. In the second case, the state attempts to replicate the perceived developmental success stories of the West by fostering technology clusters. Each illustrative case offers an instructive insight into Russia’s authoritarian state capitalism characterised by tensions between its own political and economic repertoires and a contentious relationship with the Western-dominated liberal capitalist world order.

Keywords

State capitalism, authoritarianism, spatial planning, post-socialism, Arctic, Russia

Introduction

When one of the largest container ships in the world – the *Ever Given* – became stuck in the Suez Canal, blocking the traffic in both directions, many parties started counting the losses. But there was one party that saw the *Ever Given* disaster not as a threat but as an opportunity. According to one

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analyst, ‘the dramatic episode triggered a wave of exhilaration inside Russia, amplifying voices and institutions that have long wanted to more aggressively promote the Northern Sea Route (NSR)—an east-west maritime passage along the country’s Arctic coast, connecting the Asia-Pacific and Europe’ (Sukhankin, 2021). The Russian government has seen the NSR as a geostrategic project, asserting Russia’s sovereignty in the Arctic and capable of redirecting global flows of goods into Russia-controlled waters (Gavrilova, 2020). This project is emblematic of so-called ‘state capitalism’ – the phenomenon of the involvement of the state in economic development, management of sovereign funds and state-controlled firms (Kurlantzick, 2016).

However, the term *state capitalism* ‘not only lacks a unified definition, it refers to an extremely wide array of practices, policy instruments and vehicles, institutional forms, relations and networks that involve the state to different degrees and at a variety of levels, time frames, and scales’ (Alami and Dixon, 2020: 71). This is an extremely important conceptual assessment because it alerts us to the point that diversity of political forms of state capitalism needs a more granular and place-sensitive analytical lens if the empirical specificities are to be properly theorised and better understood.

The emerging diversity of state forms (beyond the crude and limiting dichotomy of liberal vs. authoritarian) needs to be better conceptualised and explored empirically (Peck, 2021: 5). Some cases where elements of a liberal market economy (private property, markets, trade) coexist with authoritarian politics and a strong redistributive and interventionist state are the most puzzling because they appear as ‘state-capital hybrids’ (Alami and Dixon, 2020: 87). Such diversity is associated with institutional forms, policy discourses, spatial imaginaries, governance mechanisms, resources, actors, and importantly, with geographical foci of state engagement – via targeted spaces, scales and places of intervention.

The case of Russia is instructive because, while it initially seemed that the role of the central state was on the wane after the collapse of the USSR, a profoundly dominant Russian state has recently re-emerged as the key player at home and abroad, posing the question how it should be grasped conceptually – beyond the conventional political science accounts of democratic erosion and growing political authoritarianism. While existing studies focus on the political economy of urban development in Russia (Zupan et al., 2021), path dependency of regional policy (Crowley, 2021), visual performances of Putin’s regime (Orttung and Zhemukhov, 2017) and spatial development strategies (Argenbright, 2018), other dimensions of the Russian state, namely the tensions between political and economic repertoires and the contentious relationship with the Western-dominated liberal capitalism world attracted less attention (see Kinossian, 2017a; Kinossian and Morgan, 2014).

In Russia’s global connections, the increasing hostility to the West and new geopolitical expansionism abroad (in physical space and especially in cyberspace) coexists with strong dependencies on the global economy via trade and the need to access modern technologies (Bradshaw, 2010; Bradshaw and Connolly, 2016). Russian elites also need access to the global financial system, not least to legalise assets acquired at home due to lack of democratic control and rule of law, under the system described by Logvinenko as ‘kleptocratic authoritarianism’ (2021: 99).

Domestically, the Russian state has established control – through both direct and indirect means – over a large share of the economy (McFaul, 2021) so as to ‘maximize so-called Russian sovereignty’ – which appears as Putin’s own dictatorial power (Åslund, 2021). In the context of weak institutions and limited democratic control, the Russian state has evolved into a repressive, extortionate and kleptocratic agent controlling economic life, where resources have been privately appropriated for the benefit of the president and his inner circle (Åslund, 2019; Belton, 2021; Dawisha, 2014; Harding, 2021). Nevertheless, much remains unknown about the actual ‘behaviour’ of the authoritarian state with regard to economic strategies, spatial development and the emblematic role of state corporations – business conglomerates created by the state to deliver economic

growth under the new increasingly hostile environment of economic sanctions and the decoupling of the Russian economy from global connections.

Economic strategies of the Russian state play out at various geographical scales and settings. Internationally, the Russian state reorients its development strategies towards the East, as reflected in the 2016 Foreign Policy Concept (President of Russia, 2016). This move has been described as ‘Russia’s turn to the East’ (Blakkisrud and Wilson Rowe, 2017), designed to reduce dependence on western energy markets (not least because of the fear of economic sanctions). Such reorientation also has various regional implications within Russia, including exploration and development of new oil and gas fields, construction of new pipelines to serve customers in Asia and upgrading of export infrastructure (Foy, 2018). The upgrade of the NSR is a key infrastructural component of that strategic reorientation.

The re-emergence of the Russian state should not be seen as a political process confined to the national borders. In addition to democratic erosion and political centralisation, it involves the processes of multi-scalar reconfiguration of state power, reassessment of international alliances and markets and revision of development priorities, which in the Russian case can be best illustrated by spatial development strategies and state-led development megaprojects.

Against this background, the paper aims to offer a more nuanced understanding of the phenomenon of authoritarian state capitalism (ASC) in Russia. Our central argument, and the main rationale for focusing on the Russian case, is that Russia has evolved into a highly distinctive authoritarian kleptocracy under Putin; so much so that it has inverted the conventional meaning of ‘state capture’. Far from dominant economic interests capturing the central state, the latter has effectively captured and subjugated the former and enrolled them into serving the geopolitical interests of the Kremlin. In this context, the megaproject has become the *de facto* vehicle for realising these geopolitical interests as we demonstrate through our two illustrative case studies.

The research relies on a combination of qualitative methods including process tracing and case study. Using the case of Russia, the paper focuses on spatial planning and implementation mechanisms because planning is central to the state’s capacity to mobilise public and private resources, state power and local/regional administrative arrangements to change the contours of territorial development at home and abroad (Shen et al., 2020; Wu, 2016). Within that broad policy field, two state-led megaprojects have been identified (the upgrade of *the NSR* and *the Skolkovo Innovation Centre*) to illustrate how the authoritarian state attempts to modernise its economic base in order to mobilise resources necessary to maintain economic and political stability.

The paper is organised as follows. Section 2 outlines the development of ASC in Russia following the collapse of the soviet system. Section 3 presents two illustrative cases of state-sponsored megaprojects. Section 4 outlines the key characteristics of the Russian variant of ASC. Section 5 summarises the argument and reflects on the implications of the Russian case study for our conceptual understanding of the new state capitalism.

Post-socialist transition and Russia’s ASC

Western liberal capitalism is characterised by the dominant role of markets in economic life and the ‘small’ state that facilitates capital circulation and accumulation. The original Varieties of Capitalism (VoC) literature divided western market economies into two types, namely liberal and coordinated, and held that the firm was the central unit of analysis in both (Hall and Soskice, 2001). Various other forms of state have emerged (or always existed) beyond the western core and they are characterised by different formats of state–market relations. While these forms do not neatly fit into any existing ‘variety of capitalism’ (VoC), they have been dubbed ‘political capitalism’ (Milanović, 2019), ‘state capitalism’ (Kurlantzick, 2016) or Russia’s ‘state-led capitalism’ (Tsygankov, 2014).

As the VoC debates have moved beyond their original western domains, questions were raised if the ideal types (i.e. liberal and coordinated market economies) are able to accommodate the growing diversity of state–market relations and how these dynamics could be framed theoretically (Lane, 2007; Zhang and Peck, 2016). In contrast to the original VoC literature on western capitalism, the *central state* appears as the key unit of analysis in the variants of state-led capitalism, especially the Chinese and Russian variants (Peck and Zhang, 2013; Tsygankov, 2014). So much so that Chinese researchers have called for a more distinctive political economy that is less Euro-centric in its concepts and theories and more cognisant of the peculiar nature of China’s system of state capitalism, which they characterise as ‘state entrepreneurialism’ (Wu, 2020) or ‘market in state’ (Zheng and Huang, 2018: 24). The latter is a model of political economy:

where the fundamental logic of the market is made structurally subordinate to the political imperatives of the state. It is conceptually distinct from the ‘state in market’ model dominant in modern Europe and the United States and the developmental model of East Asian newly industrial economies (Zheng and Huang, 2018: 425).

According to Wu (2018), the post-reform Chinese state has assumed entrepreneurial functions and now uses both planning and market mechanisms to achieve its strategic goals (p. 1395). In a drastic contrast to the entrepreneurial model common in the west, China’s ‘state entrepreneurialism uses market instruments made available through institutional innovation to extend the state’s position into the market sphere and maintain state power. Rather than being replaced by market power, state power is reinforced by its use of market instruments.’ (*ibid*, p. 1396). Shen et al. (2020) demonstrate that the state embraces a range of trans-scalar agencies, state-owned corporations and governments that use formal and informal powers to mobilise resources for urban development projects (p. 1652). The Chinese system of governance also embraces the combination of political centralisation and economic regionalisation, whereby ‘subnational governments effectively manage much of the economy through their multifaceted roles in initiating, negotiating, implementing, diverting and resisting various reforms, policies, rules and laws’ (Peck and Zhang, 2013: 19).

These reflections on the Chinese system of governance indicate a more diverse and pervasive role of the state than that of ‘promoter, supervisor, and owner of capital’ (see Alami et al., 2021: 5). The case of Russia – where the state not only owns and supervises capital but expropriates capital and uses it directly or via state corporations to achieve state-defined policy ends – tempers the claims of capital pre-eminence and the mediating role of the state. Just as the Chinese variant of ASC needs to be analytically respected on account of its distinctive character (Peck and Zhang, 2013; Zhang and Peck, 2016), so too does the Russian variant because it also has its own political and economic dynamics and its own distinctive form of state-capital hybridity.

To make sense of Russia’s ASC, it has to be placed within the context of post-socialist transition and domestic political developments. The collapse of communism in Eastern Europe followed by transition to the market economy has turned the region into a protean ‘laboratory’ of new governing institutions and policies. Despite claims that post-communist transition is part of the ‘planetary’ process of neoliberal globalisation (Golubchikov, 2016), the collapse of communism in Europe did not lead to a universal adoption of democratic values, market institutions and competitive markets. Instead, it has produced a number of political and economic systems, some of which have grown increasingly incompatible with the west. For instance, Russian leadership has adopted a course on the ‘securitisation’ of part of the economy and reduced reliance on strategic foreign items as ‘economic policy became imbued by an ethos of preparation for a long drawn-out struggle with the West’ (Sakwa, 2020: 410). According to Tsigankov (2014) the Russian model of ‘state-led capitalism’ combines both: its ‘ability to shape economic outcomes independently of market forces’ as well as elements of ‘liberal economics and social welfare’ (pp. 117–118). This

diversity of approaches indicates the limitations of the universalist claims of neoliberalisation as a path-shaping trend in the post-communist world.

Transition outcomes entail a diversity of political and institutional settings whereby markets may (or may not) play a central role and states exercise various levels of control over the economy. While countries in Central and Eastern Europe (CEE) resemble other market economies in the world, countries in the former Soviet Union (FSU) are still far from completing the transition (Havrylyshyn, 2019: 274). The latter group is characterised instead by poorly defined property rights, deinstitutionalisation, state dominance in economic affairs and political authoritarianism (Åslund, 2019; Frye, 2017; Gelman, 2015; Sanghera and Satybaldieva, 2021). Such differences between national capitalisms and ideal types appear enduring rather than transitory or residual (Zhang and Peck, 2016) indicating the need for more granular analysis of the authoritarian state phenomenon.

Spatial settings and legacies of state socialism play a crucial role in modern Russian politics. Population and industries located in inhospitable areas by soviet planners (e.g. *monotowns*), still require constant subsidising, which drains the economy and require strong political centralisation to run budget redistribution mechanisms and support regional peripheries and loss-making enterprises (Crowley, 2016; Gaddy and Ickes, 2013). Making Russia's economy 'work' implies dealing with structural legacies, modernisation of some sectors, shrinkage of other sectors and regions (World Bank, 2011). However, economic restructuring and its implications are in conflict with the central goal of Russia's political system, i.e. maintaining the social and political stability. As explained by Crowley, Putin's dilemma is how to secure economic growth (necessary for maintaining social and political stability), while avoiding necessary reforms. While under given political circumstances, conventional mechanisms to channel popular grievances do not function, the autocrat himself is likely to become a target of popular grievances, making reforms too risky (Crowley, 2021: 204–205). Despite the constant pressure to balance interests and manage conflicts and tensions, Putin's regime has proved to be stable over time, skilfully using the economic advantages of the soviet legacies, such as industrial and infrastructural potential. According to Miller (2018), 'Putinomics' is based on three strategies: (i) strengthen central authority, ensuring the Kremlin has the power and the money to enforce its writ; (ii) prevent popular discontent; (iii) rely on private business to improve efficiency, but only where it does not contradict the previous two strategies (Miller, 2018: xiii).

It appears that the regime could only manage these contradictions and maintain the grip of power by increasing political and economic centralisation and crushing the opposition of rival centres of power, primarily the *oligarchs* who controlled large swathes of the economy following the Yeltsin-era privatisations, and the *regional governors* (Gelman, 2015). As a result, the Russian state has evolved into a repressive agent controlling political and economic life.

Tentatively, Russia's ASC can be defined by the following features: (1) the rejection of the liberal model in favour of the dominant role of the national state, albeit coexisting with engagement with global markets; (2) continuing influence of the structural legacies of state socialism; (3) subordination of the regions in favour of centralised top-down governance; and (4) an increasingly kleptocratic form of autocracy. In the eyes of the Kremlin, an authoritarian model of governance is deemed necessary to deal with the internal tensions and contradictions generated by this model of state capitalism.

While the evolution of political institutions has been the prime interest of studies of Russia's transition and politics (Gelman, 2015; Sakwa, 2020), the question of what the state does and how development policies are designed and implemented has received less attention (Argenbright, 2018; Crowley, 2021; Kinossian, 2017a).

Spatial planning and the politics of state-sponsored megaprojects

Since 1991, Russian planning policy has attempted to catch up with rapidly changing political and economic environments. Through the initial period of reforms, policymakers had to respond to

marketisation and growing regionalisation; and then, from 2000, they had to adjust to re-centralisation and the reassertion of state power over regional governors and business elites. Shifts in national policy priorities are followed by adjustments of spatial development strategies and plans.

A general trend in spatial planning policy has been described as a shift from territorial equalisation to the embrace of urban agglomeration and regional polarisation (Kinossian, 2013). The current 2019 Spatial Strategy prioritises selected ‘geostrategic territories of the Russian Federation’ according to their perceived geopolitical or economic impact (Russian Government, 2019a). These include territories as vast as the Arctic, export-oriented territories, urban agglomerations and specific development initiatives such as Skolkovo. This policy shift towards urban agglomerations and other ‘foci of growth’ has been criticised by Russian experts for the mechanistic adoption of western development models and associated risks of exacerbating inter- and intraregional polarisation (Seliverstov et al., 2019: 157–158).

Rapid institutional churn has accompanied these spatial planning shifts. In 2004, the federal Ministry for Regional Development (Minregion) was created to manage nationwide spatial planning and coordinate regional development projects under the devolution of power to regions. But in 2014, following the annexation of Crimea, the federal government structure was radically restructured, with the result that Minregion was dissolved and the Ministry of Economic Development (or Minekonomrazvitiya) became responsible for nationwide spatial planning. Several other territorially specific government branches were established, such as the Ministry of Crimea Affairs (2014) and the State Commission for Development of the Arctic (2015). However, the most important institutional innovation has been the rise of the *state corporation* as a new governance mechanism to deliver megaprojects (Müller, 2011). The significance of these state corporations lies in the fact that they bypass traditional administrative boundaries and institutional accountability, rendering spatial planning projects more flexible for the Kremlin, but less transparent for civil society.

The search for suitable spatial planning approaches involves a good deal of imitation, characterised by active borrowing from international ‘best practices’. For instance, to implement the urban agglomeration doctrine, the central government has launched several pilot projects attempting to replicate the successes of concentration of economic activities in western cities (Kinossian, 2017b). Russia’s leaders also aspire to create the image of a modern country by implementing urban development schemes aligned to (what they perceive to be) best international practice, resulting in ‘Potemkin neoliberalism’ (Wolfe, 2020). These attempts focus on the visual and cannot mask the increasingly authoritarian politics or Russia’s limited involvement in GPNs. Nonetheless, the autocrats strive to maintain the image of a modern country by reproducing the spatial imagery of western urbanisation.

Megaprojects are one of the preferred mechanisms through which the Kremlin has sought to express the power of the central state since 2004. As well as mobilising its own resources, Putin’s Kremlin invariably coerces oligarchs to contribute resources to megaprojects that promote geopolitical or economic goals; and the oligarchs rarely refuse because they have acquired wealth through their personal proximity to the president (Belton, 2021). In development circles, megaprojects are usually defined as large-scale infrastructure projects involving major investments, long-term planning periods, multiple stakeholders and the capacity to transform targeted spaces (Flyvbjerg, 2014). We focus here on two such megaprojects.

The NSR

The NSR is a section of the Northeast Passage (NEP) – the shipping route that connects the Northern Atlantic and the Northern Pacific along the Arctic coasts of Russia. The NSR is the

'Russian' part of the NEP located between the Kara and the Bering Straits. During Soviet times, the NSR was intensively used to connect ports in the European and the Asian parts of the USSR and for traffic to/from foreign destinations. The collapse of the planned economy resulted in a dramatic decline in economic and shipment activities.

Since 2013, the Russian state has been strengthening its economic and military presence in the Arctic, seeking to 're-colonise' its resource-rich northern peripheries (Kinossian, 2017a). The 2020 Arctic Strategy describes the Arctic shelf as a 'strategic reserve' for mineral exploration and the NSR as a shipping route of 'global significance' that will increase as a result of the impact of global warming (President of Russia, 2020). Putin believes that 'the wealth of Russia will grow with the expansion into the Arctic' and that the NSR can offer 'far more favourable transportation of goods between Asia and Europe' than alternative routes (Barents Observer, 2017). The upgrade of the NSR is an important part of Russia's 'geo-economic interests' in the region, comprising harvesting and protecting the Arctic's natural resources and leveraging the emerging shipping routes to support Russia's economy and development (Gresh, 2020: 251).

The NSR is seen as essential for regional development in Siberia because it facilitates maritime export of commodities (oil, gas, coal, metals) and allows delivery of supplies to industrial sites and settlements located along the Siberian rivers (Gunnarsson, 2016). Increased use of the NSR is seen as a priority and greater usage would demonstrate the success of the Kremlin's Arctic ambitions. Reflecting this ambition, President Putin's decree states that by 2024 the cargo flow along the NSR must reach 80 million tonnes.

Several government agencies are in charge of the NSR. *The Federal State Budgetary Institution the Northern Sea Route Administration* (hereafter, the NSR Administration) was set up by the Russian government in March 2013 to (i) organise navigation along the NSR, (ii) ensure navigation safety and (iii) protect the marine environment (Russian government, 2013). The NSR Administration issues navigation permits necessary for entering the NSR and monitors the conditions along the route.

The Russian State Corporation for Atomic Energy Rosatom (hereafter, Rosatom) is in charge of the fleet of icebreakers. In 2019, *Rosatom* drafted the NSR infrastructure development plan until 2035, subsequently approved by the government. The plan requires investment in port infrastructure, navigation equipment including satellites, search and rescue facilities, airports, modernisation and building of specialised ships, building of several new nuclear-powered ice-breakers, and feasibility study for inland transportation (Russian government, 2019b).

JSC Far East and Arctic Development Corporation (hereafter, FEADC) was established by the Russian government in 2015 and is owned by the Ministry for the Development of the Far East and the Arctic. Initially, it focused on regional development projects in the Far East. In 2021, the geographical scope of FEADC was expanded to include the Arctic. Currently, FEADC is defined as a 'management company for the Arctic zone of the Russian Federation, as well as territories of advanced socio-economic development in ... the Far Eastern Federal District, the Arctic zone of the Russian Federation and the free port of Vladivostok' (Russian Government, 2021).

According to its *Charter*, FEADC's aims are threefold: (i) to achieve accelerated socio-economic development of the region, (ii) to create comfortable living conditions, (iii) to generate profit (Ministry of the Russian Federation for the Development of the Far East, 2016). FEADC presents the Russian Arctic zone (stretching from the Kola Peninsula to Chukotka) as a business-friendly zone that offers investors tax concessions, subsidies, infrastructure and services. Its economic performance is expected to increase in connection with efforts to upgrade the NSR (FEADC, 2021). FEADC *Strategy* indicates that common preferential practices such as fiscal stimuli and infrastructural provisions are not very effective, hence the corporation 'faces the need to increase the global competitiveness of the preferential regimes in the Far Eastern Federal District, which will be confirmed by their entry into international ratings' (FEADC, 2020).

Since 2010, the NSR has been open for international use. Data collected over the 10-year period indicate significant fluctuations in volumes and composition of traffic. While it has seen growth in destination shipment between ports in Arctic and outside, transit international shipment has not demonstrated any significant growth (Gunnarsson and Moe, 2021). The lead expert of the Institute of Shipping Economics and Logistics (Germany) explains that the use of NSR is only feasible for the transportation of raw commodities extracted in Russia; the feasibility of transit international shipment is questionable because of the extra costs associated with compulsory ice-breaker services, reduced speed and limited size of container ships (defined by the width of ice-breakers) that can be navigated through the NSR (DW, 2021).

At the heart of the NSR megaproject is a fundamental tension between the economic and political strategies of the Kremlin: the goal of strengthening competitiveness and integration in the global flow of goods and commodities conflicts with the Kremlin's political course on isolation and confrontation with the West. The Russian energy sector is in urgent need of financing and modern technology, both of which have been stymied by the economic sanctions imposed on Russia for the annexation of Crimea and its aggression against Ukraine. Companies have been forced to adjust to the regime of sanctions by adopting 'a regionalized production strategy buttressed by the state support of domestic technological capabilities and Chinese financing' (Stephenson and Agnew, 2016: 568).

But the NSR cannot be understood in purely economic terms. As with other megaprojects, the Kremlin's spatial planning strategy is also motivated by geopolitical considerations. In addition to its developmental goals then, the NSR megaproject is also animated by what we might call spatial revanchism – the attempt to regain influence and territory by encouraging global trade flows through a maritime route that is being readied for use by a combination of political and ecological forces, the authoritarian state and climate change.

Skolkovo: Russia's Silicon Valley?

The Skolkovo Innovation Centre – dubbed the 'Russian Silicon Valley' – symbolises the Russian government's plans to create a world-class centre for research and technological development. Skolkovo includes specialised research clusters, the university (Skolkovo Tech), the business school and residential and recreational areas. While attempting to imitate prominent western research and educational centres has been part of authoritarian modernisation strategies around the world, the Skolkovo project has been exceptional in many respects (Kinossian and Morgan, 2014).

Organisationally, Skolkovo has required the creation of a new legal entity, *the Foundation for Development of the Centre for Elaboration and Commercialisation of New Technologies* (hereafter, the Foundation) – a not for profit organisation responsible for the development and management of the Skolkovo Innovation Centre (Skolkovo Foundation, 2010). Legally, a new federal law was adopted to create special regimes for customs, taxation, administration, and to exempt Skolkovo from various existing legal norms and regulations (Federalnyy Zakon, 2010).

Skolkovo has been built on a 400-hectare Greenfield site located on the outskirts of Moscow. In terms of spatial arrangements, it appears as an 'exclave' of western organisational, legal and planning norms surrounded by the 'regular' Russian territory, from which it is insulated by a high-tech fence and checkpoints. Architecturally, Skolkovo embodies many of the ideas of modern western urbanism, such as smart design, sustainability, adaptability, accessibility that serve to create a user-friendly urban environment conducive for creativity and innovation. To achieve that architectural aesthetic, leading western design and engineering firms were invited to submit bids to create the masterplan for Skolkovo.

Perhaps, the most radical step towards placing Skolkovo on the global map has been the establishment of the *Skolkovo Institute of Science and Technology (Skolkovo Tech)* in collaboration with the Massachusetts Institute of Technology (MIT). A framework agreement between MIT and Skolkovo was signed in 2010, during the Washington visit by Russia's president Medvedev. The MIT Press Office called the agreement 'a result of an historic effort by the President of Russia, Dmitry Medvedev, to modernize the national economy and promote technological innovation' (MIT, 2010).

Vladislav Surkov, then Deputy Chief of Presidential Staff, and Victor Vekselberg, then co-chairman of the Skolkovo Foundation, were involved in initiating the MIT-Solkovo collaboration from the early stages of the project. According to *the Washington Post*, 'the Skolkovo Foundation is paying MIT \$300 million for its participation in the university' (Staley, 2013). The collaboration between MIT and Skolkovo went even further when, in 2015, Vekselberg was elected a 'term member' of MIT's Board of Trustees (MIT, 2015). The critics called the grant for MIT a 'bribe' to get a prestigious university onboard (Privalov, 2013). Not surprisingly perhaps, the MIT representative in Russia claimed that money was not the main reason for MIT to engage in Skolkovo Tech (Skorobogatiy, 2013).

During Medvedev's presidency, Skolkovo appeared as the flagship of his modernisation strategy that focused on 'catching-up' with leading economies. But Putin's return to the presidency in 2012 triggered a more toxic relationship with the West as a result of Russia's aggression against Ukraine, its attempts to subvert Western democracies, and a host of malicious activities, such as cyber and poisoning attacks in Europe and the United States. The western response took the form of sanctions against a host of Russian officials, oligarchs and the businesses they own or control, which has directly affected Surkov and Vekselberg.

Following the 2018 decision by the US Treasury to sanction Vekselberg, MIT 'quietly scrubbed Vekselberg from its board in 2018' in an attempt to 'shield MIT from legal problems raised by continuing to do business with someone on the U.S. blacklist' (RFE/RL, 2019). According to another report, several US universities are being investigated over the donations from China, Russia and Saudi Arabia and the risks caused by foreign governments using private companies to obtain critical technologies (Eckel, 2019).

As tensions between Russia and the West escalated, 'the Kremlin has commanded the economy like a fortress under siege, building up reserves, decoupling from the world economy, and preparing for the potential impact of Western sanctions' (The Economist, 2021). Former President Medvedev, while blaming the United States, concludes that the relationship between Russia and the United States 'moved from rivalry to confrontation, in fact, returned to the era of the Cold War' (Medvedev, 2021).

In 2020, the Russian government undertook a sweeping 'optimisation' of 40 state-controlled 'development institutions' (corporations, banks, funding agencies, foundations), including the Skolkovo Foundation. The government announced that development institutions were created to solve specific tasks, but recently, 'new challenges have emerged that require significant adjustments to their work and long-term plans. Our analysis showed that the activities of these institutions are, in fact, weakly linked to the new national development goals. There are no unified management mechanisms. There is a significant overlap of functions with federal executive authorities and commercial organizations' (Russian Government, 2020). As a result of the restructuring of various organisations, the Skolkovo Foundation became part of VEB.RF, which has been defined as:

Russia's national economic development institution. It is a *state corporation* established by Russian federal law exclusively for the public good. It is a non-commercial, non-profit organization with no shareholders. VEB.RF's charter capital comprises funds and other property contributed by the Russian Federation; it also receives direct contributions from the Federal Budget. However, it is not

a ministry or a state agency, but a special entity, tasked with facilitating a wide range of socio-economic development activities (VEB.RF, 2021).

This dramatic institutional restructuring made the formerly independent Skolkovo part of the enormous conglomerate of VEB.RF – Russia’s national development corporation tracing its history to 1922. Following the transfer, Vekselberg was replaced by Igor Shuvalov – the chairman of VEB.RF and former deputy prime minister of Russia. While Vekselberg left the position of the chairman of Skolkovo Foundation, he remained on the board of directors and chair of the board of trustees of Skolkovo Tech.

In 2020, Skolkovo celebrated its 10-year anniversary. Since the start of the project in 2010, Skolkovo has created four research clusters, including information technology, biomedicine, energy-efficient technologies and advanced manufacturing, nuclear, and space technologies. The 2020 annual report indicates that most of the performance indicators, including revenues, investment, number of residents and new jobs have been met and exceeded (Skolkovo Foundation, 2020). But the implications of the Skolkovo megaproject also highlight the inherent limitations of this authoritarian state-sponsored development model.

In developmental terms, the Skolkovo project extols spatial polarisation over spatial equalisation and fuels uneven territorial development by concentrating ever more resources on the Moscow city region. The government may well succeed in creating a technology cluster at the Skolkovo site but, by segregating the cluster from the rest of economy and society, it is difficult to see how the economic benefits can be disseminated beyond the Moscow city region. In short, Skolkovo represents what we have elsewhere called ‘the gated-community approach to innovation’, which is the total antithesis of the open approach of Silicon Valley, its official inspiration (Kinossian and Morgan, 2014:15).

Discussion: The specificity of ASC in Russia

The renewed interest in ‘state capitalism’ reflects a number of key trends, including the limitations of ‘state versus market’ thinking, the need to conceptualise new forms of ‘hybrid’ state/capital relationships, and the rise of an ‘activist state’ discourse in new models of mission-led innovation and industrial strategy (Alami et al., 2021; Alami and Dixon, 2020, 2021; Mazzucato, 2021; Peck, 2021; Schmidt, 2009). But if ‘state capitalism’ remains analytically ambiguous, we would argue that *authoritarian* state capitalism has been even more ambiguous and elusive despite the fact that it looms large in the world economy thanks to the Chinese and Russian political economies.

What complicates the analysis is the way post-socialism is conceptualised. The idea of a radical, unidirectional and irreversible shift towards the ‘market’ common in many accounts of post-socialism, and the seductive power of meta-narratives such as neoliberalisation, hinders attempts to deal with the complexity and dynamics of post-socialist transformation. Rather than treating transition as a shift to an abstract market economy framed in the somewhat archaic terms of the ‘Washington consensus’, it should be viewed as a cyclical process of radical and gradual changes, reforms and reversals, resulting in various outcomes (Lane, 2007). The literature on China suggests that the post-socialist condition cannot be adequately explained by a single transformative event, instead it is characterised by a (seemingly functional) institutional palimpsest of western development formats and anachronisms such as the party rule.

The question of socialist legacies appears crucial for explaining the current conditions (Kotkin and Beissinger, 2014). As argued by Crowley, Russia’s economic geography ‘remains significantly unchanged close to three decades after the collapse of communism’ (2021: 73). Soviet industrial facilities (and the population ‘attached’ to them) are not simply ‘left behind’ but affect current politics and policy, as maintaining the distorted (at least from a market rationale) industrial and

settlement structure requires strong redistribution mechanisms and centralised power (Gaddy and Ickes, 2013). In order to maintain the spatial structures inherited from the USSR, the Russian economy needs new sources of growth that the Kremlin seeks to create via state-led development projects, such as the upgrade of the NSR and Skolkovo. Such ‘flagship’ projects are implemented in a top-down manner via the favoured tool – the state development corporation. In a recent wave of state-orchestrated mergers, these mammoth holding structures have ‘consumed’ earlier, more independent development institutions, such as the Skolkovo Innovation Centre.

Recent contributions to the state-capitalist debate have argued that we urgently need to address some very basic questions if state capitalism is to be rendered into a more coherent analytical category. It is important to clarify not only what commentators *mean* by state capitalism, but also what is the *relationship* between the new state capitalism and the Western-dominated liberal capitalist world order (Alami and Dixon, 2020).

In this discussion section, we try to answer such basic questions with respect to the specific case of ASC in Russia, beginning with what we mean by the term. Our point of departure is to accept that the binaries and stereotypes that dominate western political commentary – liberal west versus authoritarian east and the like – are irredeemably unscientific and need to be jettisoned from the outset. Just as Chinese researchers are calling for a less Eurocentric set of concepts and theories to analyse the Chinese variant of ASC, a similar point can be made with respect to the Russian variant.

So, what is the specificity of the Russian variant? Researchers steeped in the western liberal tradition might find it difficult to appreciate the scale of the *kleptocracy* that has mushroomed under the shadow of the authoritarian state in Russia. Although kleptocracy did not begin with Putin, it burgeoned into a systemic form of *kleptocratic autocracy* under his presidential terms, fashioning a regime that rests largely on the president’s ability to retain power by allowing elite members of his inner circle – especially the *siloviki* – access to illicit rents, patronage and corruption (Åslund, 2019; Belton, 2021; Browder, 2022; Dawisha, 2014; Harding, 2021; Illarionov, 2009). The scale of privately appropriated public funds has been estimated to be as much as \$300 billion per annum, equivalent to the annual GDP of Denmark, and the opportunity costs of forgone investment in health, education and development are clearly astronomical (Dawisha, 2014).

The growth of kleptocracy is both cause and consequence of the fundamental features of the Russian model that we identified in Section 2. The growing concentration of power, which initially appeared as a ‘legitimate’ response to pressures from competing groups, such as regional leaders and the oligarchs, has led to the dismantling of the system of checks and balances and the evisceration of regional institutions. As the state increasingly turned into a species of *Leviathan*, it became reliant on state corporations and state-led megaprojects, all of which creates more scope for political corruption.

Such are the power dynamics of this variant of ASC that Russia can fairly be said to have inverted the very meaning of ‘state capture’. In conventional discourse, the term refers to the capture of a regulatory body by the firm or industry that is nominally being regulated, through such mechanisms as asymmetric information flows, the revolving doors through which personnel switch roles, and through outright bribery. But in the Russian context, the term has acquired a radically different meaning because the central state is the subject doing the capturing, while firms and industries are the objects of capture. This form of inverted state capture has been accomplished directly, by increasing public ownership in key economic sectors like oil and gas, and indirectly, by threatening former oligarchs and other business owners with expropriation and even imprisonment if they fail to respect the unwritten ‘rules of the game’ that were established in the confrontation between Yukos and the Kremlin, when the company’s assets were seized by the state and its chief executive, Mikhail Khodorkovsky, was summarily imprisoned. The ‘rules of the game’ of kleptocratic autocracy really amount to one: that ‘property rights were conditional on fealty to the Kremlin’ (Belton, 2021: 498).

While the business community has been effectively subjugated, the most vocal oppositional forces are to be found in Russian civil society. But even here the authoritarian state has been prepared to eliminate the most effective critics, not least through state-sponsored murder of investigative journalists (like Anna Politkovskaya), political opponents (like Boris Nemtsov) and ‘whistle blowers’ in the diaspora (like Alexander Litvinenko). The case of Alexei Navalny is particularly instructive because, more than any other civil society critic, he has exposed the most egregious example of the private appropriation of public assets, namely the \$1 billion cost of ‘Putin’s Palace’ on the Black Sea coast, a video of which has been viewed more than 100 million times (Reuters, 2021).

Exposing kleptocracy is one thing, but deposing kleptocrats is quite another because, as Navalny has found to his cost, prominent political opponents are either imprisoned or murdered and such state-sponsored violence is one of the most compelling hallmarks of the authoritarian state in Russia today. This underscores the importance of extending the analytical focus beyond state/capital hybrids to include the effect on civil society of the repressive/ideological functions of the state, which an earlier generation of state theorists deemed to be essential when dealing with ‘the new phenomenon of State authoritarianism’ (Poulantzas, 2014: 7).

Another basic question posed above refers to the nature of the relationship between this form of ASC and the Western-dominated liberal capitalist world order. Here, we draw on our two illustrative cases to suggest that Russia’s authoritarian state aims to relate to the west through an uneasy amalgam of competition and cooperation: it aims to compete in ideological, political and military arenas, while cooperating in trade and investment arenas, though the tension between these two roles is becoming ever more apparent as our empirical cases illustrate.

As we have seen, the NSR megaproject is an audacious attempt to harness the warming effects of climate change to renature the Arctic so as to render it a viable alternative to the Suez Canal as a sea route for global commodity flows. While the Russian state is capable of mobilising the resources to underwrite it, the project also requires unimaginable levels of international cooperation. As examples of previous joint projects show, the instability of Russian legal and taxation regimes, as well as unilateral actions of the Russian government, do not inspire confidence among potential partners (Bradshaw, 2010).

Skolkovo illustrates similar tensions between Russia’s political and economic repertoires. Not only was it inspired by the US tech clusters, but the Russian state spent more than \$300 million to enlist the cooperation of MIT so as to use its imprimatur to validate the Skolkovo technology cluster. But as western countries step up economic sanctions against Russian individuals and companies, it is unlikely that MIT will allow itself to suffer the reputational damage of being associated with an authoritarian regime that is suppressing democratic rights at home and fomenting disruption and division abroad through its support for right-wing political movements. As with the NSR, the Skolkovo megaproject illustrates that the Russian state’s strategy for dealing with the West, based on a protean mix of competition and cooperation, is becoming ever more difficult to sustain.

Conclusion

The empirical focus of this article has been on state-led megaprojects that aim to redefine Russia’s global positions that were lost after the collapse of the USSR. By reviving the NSR, the Russian state attempts to redraw the global map of commodity flows, creating an alternative to the ‘around Asia’ route via the Russian Arctic. While geopolitical ambitions seem to be the main motivation behind the projects, they also have more localised implications.

The NSR aims to give a new impetus to regional development in the northern peripheries by creating a new supra-regional scale of development connected to a maritime trade route. Regional economies located along the route will benefit from new export, trade and tourism

opportunities. Localities along the route will function as hubs for tourism, maritime services and exporting ports. While such hubs will receive support and investment, inland areas and localities not connected to the NSR will continue suffering from their peripheralised position, adding to intra-regional disparities. But the NSR megaproject embodies the greatest paradox of all because, while it aims to harness the warming effects of climate change, this process has also triggered a renewable energy revolution that will undermine the fossil fuel economy on which the Russian state depends for the vast bulk of its revenue.

The creation of Skolkovo is an attempt to boost research and development activities to diversify Russia's economic profile away from oil and gas and create competitive non-military products. Skolkovo epitomises a radical vision for catch-up modernisation that aims to elevate Russia through the global production ranks: from basic commodities exporter to that of advanced technologies and services. Like the NSR, Skolkovo reinforces the existing disparities between the centre and periphery by adding a new science and technology hub to the Moscow city region, which was already the most developed part of the country.

Each of these megaprojects sheds new light on the specificity of Russia's form of state capitalism, exposing the limitations of an authoritarian regime that aspires to replicate the perceived success stories of OECD countries in the case of Skolkovo and setting itself the audacious, not to say hubristic goal of harnessing climate change to renature the Arctic in the case of the NSR. We have argued that the main limitation of these megaprojects lies in the tension between the Russian state's economic and political strategies: the former requires the active cooperation of western countries, while the latter alienates these very same countries. This perhaps illustrates the central feature of ASC: its multiple economic connections with the west coincide with systemic incompatibility with western institutions. These are seen as a threat to Russia's Kremlin kleptocracy. The degree of such incompatibility is such that the Kremlin has decided to sever connections to the global economy for the sake of preserving its regime at home.

If the megaprojects provide instructive insights into the *modus operandi* of the authoritarian state in Russia, what are the implications of the Russian case study for our conceptual understanding of the new state capitalism? Our analysis suggests that we need to appreciate the scope for varieties of state capitalism even within the *authoritarian* state-capitalist variant itself, especially between China and Russia, two countries that are loosely (and lazily) bracketed under the ASC moniker. But as we have sought to show, one of the most distinctive features of the Russian variant is that political centralisation in the Kremlin has become so extensive that it has eviscerated alternative centres of power – such as the oligarchs in the business community and the regional governors in the regions – with the result that there are no remaining checks and balances in the system. This contrasts with the Chinese variant, where researchers have shown that subnational governments retain a good deal of discretion to manage the economy (Peck and Zhang, 2013) and local and provincial governments are able to engage in a significant degree of 'experimentation under hierarchy' that has no parallel in Russia (Heilmann, 2008).

In other words, the specificity of the Russian experience can help to enrich the theoretical debate about state capitalism so long as this debate is sensitive to and appreciative of the nuances of political regimes. In that respect, the Russian case can help to test and critically assess western concepts such as state capitalism, as well as our understanding of what is 'standard' and what is 'deviant'. While capitalism is indeed a global phenomenon, this does not mean that a 'global logic' is universally applicable. Nor does it mean that political regimes, like Russia's kleptocratic autocracy, for example, can simply be assimilated into theoretical constructions like 'planetary neoliberalism' or other bland categories that have so little granularity that they effectively render serious political analysis redundant.

On the contrary, the state capitalism debate will be richer and more credible to the extent that it can explain the granular as well as the generic features of what we have called *authoritarian* state

capitalism. Future research in comparative political economy would also do well to explain how authoritarian regimes that conform to a ‘market in state’ model can be classified as purely ‘neo-liberal’ when the latter classification is normally associated with ‘state in market’ models of political economy.


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