2009-04-20

The ISCIP Analyst, Volume XV, Issue 12

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https://hdl.handle.net/2144/11853

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Diarchy's first anniversary and year-end results
A recent Mosnews article describes the political forecast for investors in Russia by the American consulting firm Eurasia Group, and the scenario suggests that economic difficulties in the coming year will lead to social unrest, which will force "liberal politicians" (economic westernizers) from power, culminating in the resignation of the current president and the reinstallation of Vladimir Putin in the Kremlin. According to the report, the current odds on this scenario stand at 20%.

(1)

Until recently, it certainly seemed more likely that dire economic circumstances would have greater repercussions for the prime minister than for the president. It was Putin who decided, after careful consideration and succession planning, to place himself in the economic hot seat when his presidential term ended. Although some of his initial moves as prime minister aimed to shield himself from the individual decisions of his ministers by shifting the responsibility for decisions back to the ministers themselves, (2) Putin nonetheless landed at the epicenter of a financial maelstrom, whose onset shadowed his transfer to the prime minister's post. [Putin became Russian Prime Minister on May 8, 2008 with a confirmation vote in the Duma; Dmitri Medvedev had nominated Putin immediately after his inauguration as president. (3) The Russian stock market's losses in the financial crisis—losing approximately 70% of value by late 2008—are measured against its high in May 2008.]

The political relationship between Medvedev and Putin, formally (if not permanently) enshrined by the creation of the president-prime minister diarchy,
initially appeared as tabula rasa capable of recording any number of formulations for the interpretation of the state of political authority in Russia, only to be wiped and rewritten as new evidence appeared. Personnel appointments, statements, misstatements and all their ramifications have been scrutinized for political revelation. While the initial phases of confusion over the relative status of president and prime minister might have helped Putin at the onset of the financial crisis, the intervening war against Georgia in August made clear Putin's seniority, as he publicly (in a televised segment) instructed the president on what decrees to issue.

As the financial crisis deepened throughout September 2008, Putin and Medvedev seemed to hold competing, or at least complementary meetings with oligarchs to discuss state bailouts for cash-strapped corporations. However, Putin's display of public crisis management in August, coupled with the considerable resources of his siloviki political clan soon made the prime minister's office the single most vital refuge for businessmen in search of financial support. Deputy Prime Minister Igor Sechin emerged as Putin's (and the government's) main deal broker by cobbling together large, new state corporations from the holdings of private, warring oligarchs.

Putin was walking a tightrope. On the one hand, to watch Medvedev hand out financial succor to drowning oligarchs would be to lose a huge power base, and therefore the prime minister needed to assert supremacy in all budgetary matters. However, by tasking himself and his council of ministers with financial bailouts meant strapping on the responsibility for a full state rescue plan – with all the attending repercussions should it fail.

In contrast, President Medvedev focused on issues of corruption in bureaucracy and judicial reform. In recent weeks, Medvedev seemingly has launched a campaign for a new political "openness," which has included interviews with "opposition" outlets, such as Novaya gazeta, (4) and apparent involvement in the
release of a lawyer, Svetlana Bakhmina, serving a sentence in connection with the Khodorkovsky case. (5)

With the prime minister saddled with the burdens of economic crisis management, Medvedev has been free to pursue issues that have more democratic appeal and could have provided him with a not inconsequential political advantage. However, whether with the prime minister's encouragement or of his own accord, Medvedev has decided to wade quite deliberately into the economic morass and shoulder a share of the budget burden – and to do so in an unprecedented, public fashion.

On April 30, President Medvedev announced that he would personally present an address on the budget to the government presidium, in order to "help clarify its individual positions and raise its status." (6) Apparently unaware of the benefit of establishing some distance between himself and a budget that likely will be forced to slash social benefits spending, Medvedev appears poised to rush forward in an embrace of looming economic discontent. Additionally, the address is meant to lay out guidelines and spending priorities, adherence to which will now be seen as a test of the president's leadership skills. Medvedev's decision to make his address in person and in public, in stark contrast to previous years, when the president's comments on the budget were presented both to the government and legislature in writing, will increase the likelihood that the actions of Putin's government officials in the implementation (or evasion) of those policies set out by the president will become a benchmark of success or failure for Medvedev. Perhaps President Putin is thinking now that he made a wise choice in successor after all.

As the first anniversary of the Medvedev-Putin tandem approaches, the exact nature of relations between Moscow's two centers of power is yet unclear. The uncertainty surrounding the Russian leadership adds a layer of difficulty both in setting domestic policy and in international affairs, especially as the US considers
reviewing and refocusing relations with Russia. Given current circumstances, however, if an international crisis were to strike some morning at 3 am, and a quick, decisive response was needed from Russia … it probably would be best if Putin answered the phone.

Source Notes:
(1) "Putin to replace Medvedev as Russia's President this fall – report," 29 Apr 09, Mosnews.com via Johnson's Russia List (JRL), 2009-#80, 29 Apr 09.
(3) "Medvedev is new Russian President," by Marc Resnicoff, 8 May 08, suite101.com via http://russia(suite101.com/article.cfm/medvedev_is_new_russian_president.
(4) For text of interview with President Dmitri Medvedev by Novaya gazeta Editor Dmitri Muratov, see http://en.novayagazeta.ru/data/2009/039/00.html.
(6) "Russia's Medvedev to personally present budget address to govt," Prime-TASS, 30 Apr 09 via JRL, 2009-#81, 30 Apr 09.

Russian Federation: Domestic Issues and Legislative Branch
By Rose Monacelli

Can’t afford to travel abroad? Bring on the “staycation.”
Although it has been over six months since the global financial crisis hit Russia, new effects regularly continue to emerge. Russia’s newest sector to feel the pinch is the tourism industry. Anatoly Yarochkin, the head of the country’s Federal Tourism Agency, reported on Monday that at least 10 percent fewer
tourists are expected to visit Russia this year, a drop of almost 230,000 visitors. (1) On its own, this number would be a serious problem for the Russia’s fledgling tourism sector, but in light of the fact that the World Tourism Organization has projected a drop of only two percent in international tourism worldwide, it becomes even more worrisome. (2)

Some state authorities have contested the publicized tourism statistics because the official figure of 2.3 million foreign tourists is the same as the 2.3 million tourists recorded by St. Petersburg city officials. St. Petersburg is by far Russia’s most popular tourist destination, but on average, only 80 percent of Russia’s national and international tourism takes place in the city, which means that there is room for almost a half million margin of error on the country’s official figures. Nevertheless, these numbers are expected to fall dramatically in the next year, as St. Petersburg’s tourism department has projected a 30 percent reduction in foreign tourism. (3) This could push unemployment in St. Petersburg to near-crisis levels, as approximately 500,000 jobs, or 18 percent of the city’s workforce, are in tourism-related fields. (4) On a larger scale, more than six percent of Russia’s overall workforce is involved in the tourism sector.

The country’s current financial woes are partly to blame for the tourism industry’s current predicament. In St. Petersburg alone, the city tourism budget shrunk from 120 ($3.5) to 73 ($2.2) million rubles between 2008 and 2009. (5) With less funding, the Federal Tourism Agency has not been able to advertise as it did in the past, which means that international tourism to Russia will likely continue to decrease for the foreseeable future. At the same time, it is also possible that Russia’s image as an attractive destination for prospective tourists has been somewhat tarnished over the past few years by several high-profile international and domestic scandals, including last August’s war with Georgia, growing xenophobia, ongoing economic battles with foreign industries that attempt to set up shop in Russia, and the ever-growing number of reporters and political dissidents who have been violently silenced at home and abroad.
No matter the reason, the Federal Tourism Agency has begun to look inward in its quest to recoup its losses. Thanks to the economic uncertainty caused by the financial crisis, fewer and fewer Russians can afford to spend their vacation time abroad. In 2008, 11.3 million Russians vacationed abroad, but in the past three months alone, the number of Russians who vacationed abroad dropped by one-quarter from last year’s figures. (6) This number is not only due to the fact that many people can no longer afford to vacation abroad, but also because to a growing willingness, especially among younger Russian workers, to sacrifice free time, money, and even financial gains to ensure career stability in the short run and long-term professional success. (7)

In order to counter the projected a 10-15 percent drop in domestic tourism this summer, (8) the government is investing heavily in the Federal Tourism Agency in an effort to convince the Russian people that their vacation time would be better spent at home. The Agency’s 2009 budget went up 50 ($1.5) million rubles to 180 ($ 5.27) million. (9) The central effort of the domestic advertising campaign will be to convince the Russian people that there is more to see in the country besides the big cities.

Beyond the focus on Russia’s regional tourism destinations, the government is considering bringing back several Soviet-era traditions like subsidizing summer air travel for the elderly and those under age 23 in the country’s eastern regions, and has proposed tax deductions for the same populations on vacations spent at government-connected health resorts. (10) During the latter half of the 20th century, the Soviet government routinely subsidized its workers’ spa vacations, but the practice declined in popularity in the 1990s when the number of health resorts decreased and it became increasingly expensive to travel to remote locations and pay the associated fees for the spa treatments.
Resurrecting the practice of state-assisted resort vacations would ultimately be less costly to the state than allowing Russia’s tourism industry to fail, as that would push the country’s already-high 8.5 percent unemployment rate even higher. This, along with other efforts to prevent the failure of the tourism industry, is part of a larger anti-crisis plan formulated by the government that has included using state funds to bolster production and bail out banks and other financial institutions. On a more immediate level, the government has already taken steps to improve the country’s social infrastructure and combat unemployment. Last weekend, the Medvedev administration announced that it would sponsor more than a million jobs over the next year in order to combat the 2.5 million-person increase in unemployment since last Summer (11) that has led to the country’s highest unemployment rate in five-years. (12)

At the same time, the fact that the concerns of the Russian Federal Tourism Agency head are even considered news should be taken as a positive sign that the effects of the current economic crisis are not nearly as widespread or devastating as they were during the crisis two decades ago. Many believed that the lingering effects of last Fall’s financial crash, would include “a drastic surge in crime, or large-scale impoverishment, or riots by migrant workers, or any other horrors,” (13) but as such events have yet to occur, there have been tentative indications that optimism maybe growing around Russia. In a recent poll conducted by the All-Russian Public Opinion research center (VTsIOM), the number of Russians who would describe the current economic situation as “very bad” dropped by 10 percent between March and April to fall below 50 percent for the first time in months. The 10 percent who no longer believe that the situation is “very bad” must have switched their vote to describe it as “normal,” because that number rose from 29 to 39 percent. (14)

This good news may be short-lived, as VTsIOM’s poll also indicated that the respondents felt less optimistic about their own financial situation. In both March and April, more than two-thirds of the people surveyed indicated that their
situations might be difficult but that they could tolerate it only for the time being. The same survey also indicated that more than 90 percent of the population believes that the financial crisis will linger or even worsen in the near future, (15) this statistic could be the cause for some alarm, especially since recent government forecasts maintain that the economy will not begin to recover until at least 2011. Even then, Finance Minister Alexei Kudrin has commented that “Russia should not expect a return of the favorable conditions it has enjoyed in the recent years for “five, 10, 20 or 50 years.” (16)

In that case, there is no telling what might happen. According to former Prime Minister and current opposition figure Mikhail Kasyanov, once the Russian people reach the point where they can no longer tolerate the economic pressure, there is a strong chance that the country will be thrown into “economic chaos and even revolution.” (17) There have already been signs that this worst-case scenario may come to fruition. The Interior Ministry reported recently that since November, the number of fraud cases has nearly doubled, and theft and robbery have increased as well. (18) These figures matter less than the fact that a national public opinion poll indicated that people had “noticed more hooligans in the streets than before the crisis,” and that there was a widespread belief that of robbery, murder, rape, and arson had all increased significantly. (19)

Even without actual numbers to back up these claims, the fact that so many people believe that the social situation in Russia is deteriorating rapidly is nearly as dangerous as it actually happening, as it may indicate a loss of faith in the government’s ability to keep order. In the face of the government’s actual inability to quickly and decisively improve the financial situation, the strong disciplinary arm of the government had been one of its few remaining assets. Without it, it is doubtful that even a vacation at one of the country’s health spas will make anyone feel better anytime soon.

Source Notes:


(3) “Rescuing Tourism With Spas, Cheap Fares,” Ibid.

(4) “Russia braces for fewer tourists,” Ibid.

(5) “Rescuing Tourism With Spas, Cheap Fares,” Ibid.

(6) “Russia braces for fewer tourists,” Ibid.


(8) “Russia braces for fewer tourists,” Ibid.

(9) “Rescuing Tourism With Spas, Cheap Fares,” Ibid.

(10) “Russia braces for fewer tourists,” Ibid.


(14) Ibid.

(15) Ibid.

(16) “Ex-PM warns of economic chaos, revolution in Russia,” Ibid.

(17) Ibid.
Russian Federation: Armed Forces

By Lt. Col. Erik Rundquist

Russian military reform: Officer cuts, Serdyukov's albatross?

The current economic crisis is revealing some cracks in Defense Minister Anatoliy Serdyukov's reforms for the Russian military. While there is almost universal agreement that the military must modernize its equipment and enhance its force structure, significant debate remains as to both the path and objectives of the reform. Serdyukov's "new look" for the military calls for light, agile, and regionally-focused brigades that can respond quickly to threats. Opponents have charged that these cuts are too deep and that Serdyukov's reforms forsake Russia's military history. In addition, many reform challengers feel Russia's geography is ill-suited for the regional response approach. (1) While these doctrinal and organizational discussions are crucial in the reform debate, they have begun to take a backseat as the global economic crisis continues to move to the forefront in Russia. The economy has put a damper even on the most optimistic and ardent reform supporters. Prime Minister Vladimir Putin cautioned in a speech to the State Duma, "2009 will be a very difficult year for us." (2)

Unwillingness to reduce manpower levels in the Russian military is a key obstacle for Serdyukov's reforms. The calculus involves a reorganization that would cut some posts and remove them from the Armed Forces schema altogether. In addition, certain military jobs, especially combat service support and administrative positions, would be converted to civilian posts. Other combat-
related occupations call for trained "contracted" soldiers, plus the requirement for one-year conscripted forces to bolster the ranks of the ordinary soldier still stands. Of these changes, the officer reductions are proving to be the most difficult for Serdyukov to implement and still maintain the appropriate balance of Russian forces. With the dire times ahead, is the economic crisis starting to impact the "new look" of the Russian military, with regard to these officer cuts?

The cornerstone of manpower reform continues to be the elimination of nearly 200,000 officer positions, with at least 35,000 slated for discharge from the Russian Army in 2009 alone. (3) The military is trying to trim the officer corps in order to reshape a bloated and top-heavy composition. Putin commented on the military's structure, stating, "Our pyramid is standing upside down. The number of servicemen who engage in combat and make important decisions on the battlefield is scarce, but there are a lot of people on the top." (4) Even before the economic crisis, the dismissal of thousands of officers was unpopular. The anti-reform sentiment has intensified during the harsh economic times, prompting Serdyukov to hold a Defense Ministry Collegium at Baltic Fleet headquarters to investigate and review the implementation of reforms so far. A Defense Ministry probe reportedly showed that many of the Baltic Fleet's personnel cuts had not been carried through. Instead of dismissing military members, Baltic service members were only released from "permanent staff status" and were still receiving full payments. (5) Another officer noted that the reform in the Baltic Fleet has created, "a serious effect on the moral and psychological state of the officers and midshipmen." (6)

As was to be expected, the reduced need for officers had a clear and immediate impact on enrollment in officer training programs at Russian military colleges. Essentially, Serdyukov's reforms are cutting current officers and tightening the entry point to the "officer pipeline." For example, the Baltic Naval Institute at Kaliningrad reportedly has dropped its prospective student load by 36.5 percent this year. (7) The officer cuts also have produced a consistent wave of protests
throughout Russia. In Vladivostok, a gathering of veterans in the city center demanded a stop to the military reform, citing the global economic crisis. Despite the fact that the veterans were denied permission to hold the protest, they conducted the anti-government protest, anyway. (8) Retired Vice-Admiral Boris Prikhodko stated at the protest, "In our region, over 3,000 officers will be fired from the navy alone, 800 more from the army based here, and 20 percent of military doctors. Where will these people go?" (9)

Prikhodko's economic question is important in this global crisis. Recently, the Defense Ministry announced that over 60 professional retraining programs were in the developmental stage. Defense Ministry spokesman Alexander Drobyshevsky announced, "Officers can choose from many civil specialties in demand today from "management and technical experts to web designers." (10) However, others are not so hopeful that this officer transition plan will work effectively. Analysts point out that currently there are only seven centers throughout Russia that host officer retraining programs. The annual throughput of these training centers is approximately 2,000 persons per year. Those that are unable to obtain one of these slots often have to pay for retraining with their own funds. (11) The dismissal of hundreds of thousands of officers clearly would be a major undertaking for Serdyukov, especially since 35,000 are being cut this year and the retraining programs appear unready to receive even the first of wave of dismissed officers. Retired Colonel Dmitri Tyulenev aptly notes that the dismissed Russian officers will, "intensify the situation on the labor market." (12)

Paradoxically, the highest hurdle that Serdyukov has to surmount is the cost of reducing the officer ranks themselves. While the Russian reforms are aimed at ultimately saving money and creating a more efficiently-run military, the reality is that cutting so many thousands of officers incurs a massive "front-end load" cost to the government. Sources indicate that it can take upwards of 185,000 roubles to cut and eliminate a single servicemen's post in the military. The individual's time served, rank obtained, and position held will all factor into social benefits
such as salaries and housing. (13) Reports are circulating that funds for
departing officers have dried up, and soldiers now will be discharged on a
"voluntary basis" via an appeal process. Some senior officers were advised to
"turn in their notices requesting discharge" if they did not agree to transition to a
non-equivalent post (presumably lower rank) or to relocate. (14)

If the financial reports hold true, then Serdyukov is faced with a few possibilities
with respect to his reform measures. First, the "new look" could be stopped in its
tracks completely and the Russian military force structure could remain in place
with a partially reformed force. Second, the social benefits promised to the
dismissed officers could be modified (smaller pensions, delayed housing, no
retraining programs, etc.) or cut altogether. A third possibility is a hybrid of the
first two options, where Serdyukov could try to weather the economic storm and
select key parts of the reform (certain weapon systems, or particular brigades) to
enact, while simultaneously retaining partial benefits for dismissed officers.
Tactical training, live firing exercises, naval cruises, and aviation flights are
projected to be cut by half in 2009. (15) Will Serdyukov's force restructuring be
the next victim of the global economic crisis?

Source Notes:
(1) See The ISCIP Analyst, Volume XV, Number 5 (20 Nov 08) for discussion on
voices of the opposition to reform.
(2) "Summary: 2009 to be "Very Difficult" for Russia, Putin" Russia and CIS
Business Law Weekly, 7 Apr 09; Interfax News Agency, 21 Apr 09 via Lexis-
Nexis.
(3) "Russian paper: 35,000 officers to be discharged from army in 2009 alone,"
Izvestiya website, 27 Mar 09; BBC Monitoring Former Soviet Union; Political, 7
Apr 09 via Lexis-Nexis.
(4) "Summary: 2009 to be "Very Difficult" for Russia, Putin," Russia and CIS
Business Law Weekly, 7 Apr 09; Interfax News Agency, 21 Apr 09 via Lexis-
Nexis.
(6) Ibid.
(7) "Russian military colleges to cut enrolment, source," Interfax-AVN, 20 Apr 09; BBC Monitoring Former Soviet Union; Political, 21 Apr 09 via Lexis-Nexis.
(9) Ibid.
(10) "Russian military to retrain officers as web designers," Agence France Presse, 22 Apr 09 via Lexis-Nexis.
(11) "Officers' council in Russia's Far East set to hold rally against military reform," Nezavisimaya gazeta, 9 Apr 09; BBC Monitoring Former Soviet Union; Political, 10 Apr 09 via Lexis-Nexis.
(12) Ibid.
(13) "Russian Defence (sic) Ministry has no funds for personnel cuts, liberal daily"; Vremya novostey, 16 Apr 09; BBC Monitoring Former Soviet Union; Political via Lexis-Nexis.
(14) Ibid.
(15) Ibid.

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Russian Federation: Foreign Relations
By Shaun Barnes

Moscow pleads for calm on the Korean peninsula
Russia’s Foreign Minister, Sergei Lavrov, traveled to the Democratic People’s Republic of Korea (DPRK) and the Republic of Korea (ROK) between April 23rd
and 25th, all the while urging restraint and dialogue in the midst of rising tension resulting from North Korea’s launch of what it called a peaceful satellite. This act was condemned by the United States, Japan, and South Korea as a ballistic missile test, leading to a complete breakdown in the six-party talks on North Korea’s nuclear program. Now, Moscow seems to be trying to hew a middle path, urging restraint on all sides to preserve stability in Northeast Asia and protect Russia’s regional interests.

Although the security dialogue among the six parties—North and South Korea, Russia, China, the United States, and Japan—had been languishing for several months, tensions flared on April 5th when the DPRK launched what was believed to be a Taepodong-2 ballistic missile over Japan, ostensibly to put a communications satellite into orbit. (1) In carrying out the test, North Korea violated the terms of United Nations Security Council Resolution 1718, which was passed after Pyongyang’s 2006 nuclear test and bans the firing of any ballistic missile by North Korea. (2) The launch was denounced quickly in Seoul, Washington, and Tokyo, but both the DPRK’s traditional ally, China, as well as Russia refrained from condemning the DPRK.

In the immediate aftermath of the incident, the Russian Ministry of Foreign Affairs issued a bland statement that took a wait and see approach. It read in part, “We call on all concerned states to show restraint in judgments and action in the current situation and to proceed from objective data on the nature of the DPRK launch.” (3) Basing further action on “objective data” as to the nature of the rocket was key since Resolution 1718 does not explicitly bar satellite launches, putting North Korea’s action into a legal “grey zone,” according Russia’s UN ambassador, Vitali Churkin. (4)

When it became clear that some punitive action would have to be taken to quell the growing outrage against the North, both Russia and China worked to limit the response within the UN Security Council. They precluded the adoption of a new,
binding resolution, instead opting for a presidential statement condemning the act and authorizing the designation of new North Korean commercial entities for sanctions under provisions of Resolution 1718. (5) Russia’s Ministry of Foreign Affairs called this the “optimal solution” to the situation. (6) Beyond this, Russia worked with China to pare down the initial US-Japanese list of more than ten North Korean firms slated for new sanctions to just three firms – the Korea Mining Development Trading Corporation, the Korea Ryonbong General Corporation and Tanchon Commercial Bank. (7)

Despite Russian and Chinese efforts to soften the blow from the international community, Pyongyang reacted angrily to the UN presidential statement. It formally withdrew from the six-party talks, closing off the most significant communications channel between the DPRK and the other regional powers.

Sergei Lavrov’s trip to the Koreas focused primarily on this unraveling of the security situation on the peninsula. (8) In Pyongyang, although Lavrov did not have a chance to meet with North Korea’s leader, Kim Jong-Il, he did speak with Foreign Minister Pak Ui Chun and the President of the Presidium of the Supreme People’s Assembly, Kim Yong Nam. He tried to impress upon both of them the “priority of preserving the six-party negotiations.” (9) Lavrov even broached the idea of using Russia’s launch facilities to put North Korean satellites into orbit, an approach that certainly would alleviate the concerns around North Korea’s indigenous efforts (assuming, of course, that a satellite launch attempt was the actual purpose of North Korea’s action). (10)

Lavrov’s efforts did not bear fruit, however, as Pyongyang not only refused to reverse its withdrawal from the talks, but also announced the reactivation of its plutonium reprocessing facility at Yongbyon shortly after the Russian minister departed. (11) Nonetheless, while visiting the ROK, Lavrov reiterated his plea for the renewal of the six-party talks and even cast some blame for the crisis on the other states involved, declaring, “We also hope that all other Six-Party
participants will draw conclusions from the events that occurred to a significant degree because not each of us had been fulfilling our obligations." (12)

Moscow claims that its priority in its Korean diplomacy is the restoration of stability on the peninsula and in Northeast Asia as a whole. South Korea is an increasingly important economic partner for Russia, with bilateral trade approaching $20 billion. (13) Moreover, South Korea and Japan are the two primary export markets for liquid natural gas shipped from the recently opened Sakhalin II facility. (14) Lavrov explicitly linked these growing economic interests to the political situation when he said, “Any project involving Russia and both Koreas - gas or railway - can hardly be implemented in the current circumstances. So it is important to calm down political passions […] for the sake of the economic development of the region.” (15)

Moscow also has the security implications of persistent instability in mind as it strives to jump-start the six-party talks. In particular, it is wary of the “creation of another missile defense positional area” in response to North Korea, an oblique reference to the planned American missile defense system in Central Europe. (16)

Deputy Foreign Minister Sergei Ryabokov has stated that “Russia and the new US administration are engaged in a close and serious discussion of the nuclear problem on the Korean Peninsula.” (17) Seen in the light of Lavrov’s trip, this could indicate that Russia is taking on a more active role as an intermediary between Washington and the isolated North Korean leadership.

However, Russia’s diplomatic strategy is risky in that Moscow, like the rest of international community, has very little leverage over North Korea. To the extent that it can convince the US, Japan, and South Korea to go easy in responding to Pyongyang’s intransigence, it must then be able to demonstrate that this has the intended effect of enticing concessions from the North. So far, it has failed to do
this. If Russia, or perhaps China—which often takes a similar tack—cannot convince the DPRK to come back to the negotiating table, the other members of the six-nation group may begin to take a tougher stance vis à vis Pyongyang.

Source Notes:

(8) “Russian minister to discuss nuclear issue, stability during his visit to Koreas,” Interfax, 21 Apr 09; BBC Worldwide Monitoring via Lexis-Nexis.
(13) Ibid.
(14) For an overview of Russia’s Far Eastern energy ties, see IScip Analyst Vol. XV No. 9, 5 Mar 09.
(17) “Russia to urge N. Korea’s continued participation in six-party talks - diplomat,” ITAR-TASS, 22 Apr 09; BBC Worldwide Monitoring via Lexis-Nexis.

Russian Federation: Energy Politics
By Creelea Henderson

Khodorkovsky’s Yukos: The dénouement
On 7 April, Italian energy company Eni sold Russia’s Gazprom a 20 percent stake of the oil production and refining company Gazprom Neft. (1) The $4.2 billion deal raised Gazprom’s ownership of the oil company to 95.68 percent and crowned a series of strategic cooperation agreements signed in the presence of Russian Prime Minister Vladimir Putin at a Russian-Italian business in Moscow. (2) The sale also represented a final unraveling of the tangled Yukos affair.

Eni came by the assets in 2007, when it joined with Italian utility Enel SpA to buy a number of Yukos assets at a liquidation auction. Among their purchases was a 20 percent holding in Gazprom Neft, a company that had once belonged to Roman Abramovich under the name Sibneft. (3) In 2003, anticipating a merger that would have created the world’s fourth-largest private oil company, Yukos bought a 20 percent stake in Sibneft. Two years later, the merger scuttled by allegations of fraud and tax evasion against Yukos head Mikhail Khodorkovsky, Gazprom stepped in to buy Sibneft from Abramovich and renamed the company Gazprom Neft. Soon thereafter, Khodorkovsky was jailed and his company was driven into bankruptcy, but its shares of Sibneft, now Gazprom Neft, remained on the books at Yukos. Those shares were turned over to Eni at auction for $3.7 billion, with the understanding that Gazprom retained an option to buy the entire stake within two years. (4)

As the two-year deadline drew near, analysts wondered if Gazprom would be able to line up the financing needed to exercise its buyback option amid falling revenues and contracting energy demand across Europe. Earlier this month, Prime Minister Putin offered the company state aid to meet its $47.6 billion debt obligation. (5) Gazprom declined. In the month leading up to the sale Eni saw its share price fall as investors worried that Gazprom would fail to come through. The Eni deal finally was realized after the company secured financing from Russian banks, including state-run VTB. (6)
The price of the Gazprom Neft stake represents Eni’s 2007 purchase price of $3.7 billion, plus two years’ payout on loans and dividends, bringing the total to $4.2 billion. (7) Ultimately, Eni spent the same amount on the holding as Gazprom paid to repurchase it. (8) The coincidence of sums raises the suspicion that the Italian company was acting merely as an escrow agent in the Kremlin’s push for the renationalization of Russian energy assets. But the question remains—in the absence of profit, what did Eni get out of the deal?

The answer comes from a sweeping partnership forged by Prime Ministers Silvio Berlusconi and Vladimir Putin. In 2006, their close ties resulted in an agreement giving the Italian company broad access to gas assets inside Russia and a joint stake in the Gazprom-backed South Stream pipeline. At the Russian-Italian business forum where the sale of the Gazprom Neft stake was finalized, Eni signed additional deals with the Russian state oil company Rosneft and with two pipeline-building companies, Transneft and Stroytransgaz. (9) Eni enjoys a nearly exclusive partnership with Russia’s state-owned companies at a time when other foreign-owned companies are finding themselves squeezed out of the Russian energy arena.

And what did Gazprom gain from the swap with Eni? Why didn’t the state-owned monopoly simply acquire the 20 percent stake in Gazprom Neft at the time it was taken from Yukos? Gazprom was not party to the 2007 auction of Yukos assets because the company feared legal repercussions from international Yukos shareholders who denounced the Kremlin for its illegal dismantling of the private oil company. Now that the dissolution of Yukos is irreversible and Khodorkovsky has been dragged back into court on charges that may keep him behind bars for another 22 years, Gazprom is free to exercise its options.

Source Notes:


(4) “Eni offers Gazprom 20% in Gazprom Neft for $3.7 bln over 2 years,” RIA Novosti, 4 Apr 07 via (http://en.rian.ru/business/20070404/63091442.html).


(8) Ibid.


Russian Federation: Special Feature: Russia and Iran

By Blake Brunner

Russia seeks “reset” with Iraq

In a March 2009 column in Israel’s Haaretz daily, Zvi Bar’el surveyed the developing Middle Eastern situation and concluded, “A new strategic alliance is emerging right in front of us. It comprises Iran, Syria, Turkey and Iraq. In this alliance, Russia holds the cards and the United States, which stood by watching under George W. Bush, is trying to find room at the table.” (1) Coincidentally, the four previous issues of The ISCIP Analyst have included special reports on
Russia’s relations with Iran, Turkey and Syria, commenting that in all of these countries Russia “holds the cards,” thanks to its arms sales and development of the countries’ energy infrastructure. Although one may question whether such an alliance truly exists—Bar’el omits Qatar, an important ally for Iran and Syria; while good relations between Turkey and Syria still are in an initial phase—Russia’s importance for Iran, Turkey, and Syria is evident.

What about Iraq, where the presence of American-led forces makes it unlikely for any country other than the United States to “hold the cards”? Recent comments from Russian and Iraqi officials seem to indicate that the two countries are planning on renewing the relationship they shared before 2003. Greeting Iraqi Prime Minister Nouri al-Maliki at the Kremlin on April 10, President Medvedev heralded the opening of a “new page in Russian-Iraqi relations.” (2) Referring to the US presence in Iraq without specifically naming it, Prime Ministers Putin and Maliki published a statement, the Russian component of which stressed that Moscow “attributes special significance to the agreement on the pullout of foreign forces from Iraq, which has been reached by the Iraqi government and ensured the possibility of Iraq’s full control over security issues.” (3)

Regarding natural and financial resources, Putin optimistically hoped for Iraq’s “full-scale renewal” of energy development contracts signed with Russia during the Saddam Hussein era. (4) Of particular concern is a 1997 contract estimated to be worth $3.7 billion over 23 years, stipulating that a consortium led by Lukoil would develop Iraq’s West Qurna-2 oil field, which is estimated to hold at least eight billion barrels. (5) The Iraqi Oil Ministry inexplicably canceled the contract in the December 2002 run-up to war; although Lukoil claimed that the Oil Ministry’s action was invalid, Lukoil President Vahid Alakbarov has said that the company is willing to “adapt” to the terms of the contract. (6)

An anonymous Iraqi source told Russian newspaper Nezavisimaya gazeta that Qurna-2 was out of the question. "The new authorities have already handed out
to Western companies the oil contracts that were signed with Russian firms under the previous regime, primarily Western Qurna 2," the source claimed. (7) However, there has been no official announcement regarding the status of the contract, and as long as matters remain ambiguous, Russia has a few cards it can play to influence Iraq’s decision on Qurna-2 and future business deals.

Iraq is keen to have Russia cancel all of its outstanding debt, which totals approximately $1.5 billion, due to be repaid over 34 years. (8) The debt had totaled $11.3 billion until February 2008, when Russia canceled nearly 90% of it without obtaining any reciprocal guarantees from Iraq, a decision that one Russian energy expert dubbed “extremely strange.” (9) During Maliki’s visit to Moscow, an Iraqi government spokesman made clear that debt cancellation is the key to the Iraqi energy market, requesting further action from Russia: “Iraq is grateful to Russia for having written off its debts. This is why we believe that the way to the further development of relations is open. … We hope that a mechanism for the further writing off of Iraq's debt to Russia will begin to operate in the course of this visit.” (10)

In addition to the debt cancellation, Iraq covets Russia’s permanent UN Security Council vote. Iraq is still subject to some of the Hussein-era UN sanctions, the cancellation of which requires a unanimous vote from the security council. Although it is unlikely that Russia ultimately would deny support to Iraq in this realm, Russia could stall the proceedings. China, another UN Security Council member that canceled a significant portion of its Iraqi debt, in November 2008 won reinstatement of a Hussein-era contract for China’s National Petroleum Corporation to develop Iraq’s Al-Ahbad oil field. (11)

Even if Russia is unable to reinstate the Lukoil Qurna-2 contract, Iraq presents other possibilities to generate revenue. Iraq has released an estimate predicting that Russian companies will be assisting with the extraction of 6.5 million barrels of oil daily by 2016, and to that end Rosneft and Tatneft have reached the
second round of bidding for contracts to develop 11 untapped oil fields. (12) Tekhnopromeksport has received a $133 million contract to renovate Hussein-era Russian-built power plants, with the possibility of further work upon fulfillment of that undertaking. (13) And, of course, Russian arms sales, including helicopters and armored personnel carriers, are always on the table. An expert from Russia’s Center for Analysis of Strategies and Technologies told Kommersant, “The Iraqis are geared toward working with Soviet-era technology: It is cheap and familiar.” (14)

“We are certain that Russian companies should and will be our important partners,” Maliki affirmed during his meeting with Putin. (15) For now, though, contrary to the conclusions of the Haaretz column, the US holds all the cards in Iraq, and the warm-but-restrained Russian-Iraqi relationship may not change drastically for years to come. In the meantime, an article in the Moscow Times imagined a significantly different scenario. Enlarging upon the potential for a thaw in relations between the US and Iran, Fyodor Lukyanov writes, “[N]ormal U.S.-Iranian relations would open Iran's domestic market to Western technologies, including in the civilian nuclear power sector, thereby potentially leaving Russia on the sidelines in these lucrative markets.” (16) Lukyanov, like most observers, is skeptical that the US and Iran would patch up their differences any time soon, but his (and others’) willingness to consider the possibility is indicative of the changes, however minor, in US-Iranian relations.

Source Notes:
(2) “Russia Eyes Resumption of Military-technical Cooperation with Iraq,” Rossiyskaya gazeta, 16 Apr 09; OSC Translated Text via World News Connection.
(3) “Russia Voices Importance Of Agreement On Coalition Pullout From Iraq,” ITAR-TASS, 10 Apr 09; OSC Transcribed Text via World News Connection.
(4) “Russia: Iraq seeks military, technical and oil-industry cooperation with Russia,” RBK Online, 21 Apr 09; OSC Translated Text via World News Connection.


(8) Ibid.

(9) “Russia Will Shake Up Iraqi Oil; Renewal of Contracts Will Be Discussed in Talks With Country's Premier,” Kommersant, 14 Apr 09; OSC Translated Text via World News Connection.


(14) “Russia Will Shake Up Iraqi Oil; Renewal of Contracts Will Be Discussed in Talks With Country's Premier,” Kommersant.


Turkish-Armenian relations: Progress?

On 23 April, Turkey and Armenia reached an agreement on a “roadmap” for the development of relations between the two countries. The roadmap was announced just days before the 94th anniversary of the beginning (in 1915) of the mass slaying of ethnic Armenians living under the Ottoman Empire.

Although full details of the negotiations have not been disclosed, the five key points of the agreement appear to be as follows:

1) Armenian confirmation of the Kars Agreement signed by Turkey and the USSR in 1921. This stipulation is intended to quell attempts by Armenian nationalists to expand the republic’s borders to those of “greater Armenia,” which would include parts of Turkey that were to be within the still-born Armenian state designed by the post-World War I peace conference.

2) The formation of a Turkish-Armenian historical commission to investigate the controversial events of 1915 (and subsequent years), which Armenians claim constituted genocide. This commission, if formed, will come under intense scrutiny from both sides, as the “genocide” issue has been a longstanding point of contention between the two countries. Many Armenians, especially those in the diaspora, view the acknowledgement of genocide as an essential point for any reconciliation. Turks, on the other hand, tend to interpret the Armenian stance on the issue as an attack on Turkish national identity.

3) Opening the shared border between the two countries and establishing trade. Historically, Turkey has linked opening the border with successful resolution of the Nagorno-Karabakh dispute, in which Turkey consistently has supported
Azerbaijan. If, appears to be the case, the roadmap does not include a reference to Karabakh, it signals a defeat for Azerbaijan’s stance on the issue.

4) The establishment of diplomatic relations in the form of an expansion of the portfolio of the Armenian ambassador to Georgia to include Turkey and vice versa.

5) Parliamentary approval of the roadmap by both countries. (1) Confirmation of the roadmap by the respective legislatures will come under pressure from nationalists who may be able to sway the vote and, at the very least, will make the procedure very costly politically for the MPs involved.

The roadmap will face considerable obstacles from Turkish and Armenian nationalists, as well as diplomatic pressure from Azerbaijan. Its implementation will test the leadership’s mettle in both countries.

The announcement of the roadmap, even in its truncated form, already has had domestic consequences in Armenia. The staunchly nationalist Armenian Revolutionary Federation or Dashnaktsutyun Party formally left the Armenian government on Monday in protest.

Interestingly, from the details that have emerged thus far about the roadmap, it appears that the Nagorno-Karabakh conflict is omitted. This fact is of particular significance because opening the border between Turkey and Armenia in the past has been explicitly linked to the settlement of the Karabakh issue. While this omission does not indicate that Turkey’s relationship with Azerbaijan (and concurrent longstanding support for Baku’s view of the Karabakh conflict) has lost its relevance, it does indicate the subordination of Ankara’s relationship with Baku to other foreign policy concerns and raises questions regarding the potential impact of the roadmap on Azerbaijan and that country’s regional alignments. Baku often has sought a “balanced” foreign policy in which it has
negotiated carefully Russian regional interests, Turkey’s historic support, and American energy needs. The shifting geopolitics involved in Turkey’s new approach to Azerbaijan’s nearest enemy certainly will have an impact on Baku’s foreign policy. It remains to be seen what direction that policy will take.

In the meantime, Karabakh has regained a position of prominence in regional dialogue through a flurry of recent diplomatic activity and with the mediation efforts of the co-chairs of the OSCE Minsk Group. As a result, a meeting of the Azeri and Armenian presidents to address the Karabakh issue is scheduled in Prague on 7 May.

**NATO exercises in Georgia**

As part of its Partnership for Peace program, NATO will hold exercises in Georgia from 6 May to June 1. “Cooperative Longbow-2009” will be held just outside Tbilisi and originally was anticipated to involve roughly 1300 personnel from 19 countries. (2)

Not unexpectedly, the NATO exercises have encountered opposition from Russian officials. NATO only recently unfroze its relationship with Moscow after the Russian invasion of Georgia in August. Foreign Minister Sergei Lavrov warned that the exercises could risk destabilizing the Caucasus and spoke of the maneuvers as possibly promoting irresponsible behavior from Georgia’s leadership. (3) Russia’s envoy to NATO Dmitry Rogozin has threatened to pull out of a scheduled 7 May meeting of the Russia-NATO Council. (4) In response to Moscow’s outcry, Kazakhstan has opted out of the NATO maneuvers. (5)

Georgian officials seemed relatively unfazed by Rogozin’s comments. Georgian Foreign Minister Grigol Vashadze made negative allusions to Rogozin’s intelligence before responding, “As far as Russia’s position on planned NATO exercises is concerned, Georgia has [a] constitutional right to hold whatever exercises we want on our sovereign territory and Russia has no right to have an
opinion about it. Instead of making comments on NATO exercises in Georgia, Russia would be better if it starts de-occupation of the Georgian territories.” (6)

Moscow, in the meantime, has continued strengthening its hold on the controversial separatist regions considered part of Georgia by much of the international community. Abkhaz and South Ossetian officials are scheduled to sign a document on border protection cooperation with Russia on 30 April. (7)

Source Notes:
(2) “NATO Exercise Planned in Georgia,” Civil Georgia, 16 Apr 09 via http://www.civil.ge/eng/article.php?id=20741.
(3) “Russia's Lavrov criticizes NATO over plans for drills in Georgia,” RIA-Novosti, 16 Apr 09 via Lexis-Nexis.
(4) “Russia pulls out of NATO meeting over Georgia exercises,” Agence France Presse, 20 Apr 09 via Lexis-Nexis.
(7) “Sokhumi and Tskhinvali to Sign Border Agreements with Moscow,” Civil Georgia, 28 Apr 09 via http://www.civil.ge/eng/article.php?id=20807.

Newly Independent States: Central Asia
By Monika Shepherd

Kyrgyz opposition nominates reluctant presidential candidate
On April 25, Kyrgyzstan’s United People’s Movement (UPM, a coalition of opposition parties) held its national congress in the village of Arashan (located about 20 km from Bishkek) in order to nominate Almazbek Atambaev (a former prime minister and leader of the Social Democratic Party) to stand against President Kurmanbek Bakiev in the July 23 presidential elections. (1) The UPM also voted to nominate former defense minister Ismail Isakov as Atambaev’s “reserve” candidate. (2) Isakov is running for president in his own right, as a representative of the People’s Revolutionary Movement, which he co-chairs with Azimbek Beknazarov (who is a former prosecutor-general and currently an MP and leader of the UPM). His candidacy recently was approved by the Central Election Commission (CEC), but so far there is no word on whether or not he will give up his own campaign to support Atambaev. Other prominent supporters of Atambaev and attendees at the UPM’s national congress include Omurbek Tekebaev (leader of the Ata Meken party and a very well-known opposition activist) Azimbek Beknazarov, and Roza Otunbaeva (leader of the Asaba party and a former foreign minister). (3)

However, Atambaev’s nomination did not become official until the following day, when his own party, the Social Democratic Party of Kyrgyzstan (SDPK), held a separate congress, in order to name him as its candidate. Under current law, public movements and associations are not permitted to nominate candidates for political office, only individual parties and/or the office-seekers themselves enjoy this right. Assuming that his registration is approved by the CEC and that he passes the language exam, this will be Atambaev’s second presidential campaign. His first attempt at winning the presidency was in 2000, against Askar Akaev. (4) This, combined with his brief tenure as prime minister under President Bakiev, should provide him with greater name recognition than any of his other opponents in the race, with the exception of the incumbent president himself. Of course, his willingness to serve as Bakiev’s prime minister for several months in 2007 caused him to lose some opposition support, even though he resigned shortly before the December 2007 parliamentary elections, accusing the
president of interfering in the election process. (5) But, for the moment, Atambaev enjoys the backing of some of the opposition’s most prominent leaders, a fact that should buoy his self-confidence and allow him to run a vigorous campaign.

Atambaev’s reaction to his nomination has been less than enthusiastic. In fact, he seems to view his selection as the UPM’s presidential nominee more as a burden than anything else, telling one group of journalists: “Opposition has made this decision and I should obey it and comply with it…I was not willing to, I suggested Tekebaev and Beshimov instead….” The SDPK leader further explained that few people in Kyrgyzstan believe that the elections will be free and fair and cited the former CEC chair’s resignation and fleeing to Moscow last fall as evidence of the fraud and corruption rampant in the election system. (6)

In his acceptance speech at the UPM’s congress a few days later, Atambaev sounded a bit more confident, although no less grim: “I am ready to sacrifice my life for the sake of the future of Kyrgyzstan and my people.” He also began outlining the main points of his political platform: “If I win the election, I will curtail presidential powers,” stating that his goal is to institute a “genuinely democratic system.” One of the opposition’s main charges against Bakiev has been that he has amassed far too much power in the hands of the presidency. (7) The UPM nominee told congress attendees that “The most important thing is to change the system so that Kyrgyzstan keeps to a path that will never lead to backtracking.” (8) Atambaev continued on this theme during his acceptance speech at the SDPK’s congress, telling his fellow party members that in addition to supporting a reduction in the president’s powers, he also would advocate against increasing the presidential term of office from its current five-year limit. (9)

If the UPM can remain united behind this platform and behind Atambaev, the former prime minister may have a fighting chance. He still must leap over the not inconsiderable hurdle of having his candidacy approved by the CEC, as well as
passing the state language exam. If he is able to surmount these next two obstacles, he then must avoid becoming the subject of criminal charges like those that currently are plaguing a number of his colleagues. In Kyrgyzstan’s present political climate, this is far easier said than done.

In the wake of the recent Petrovka riots, where villagers in the Chuy Region of northern Kyrgyzstan mounted a violent protest (and effort to expel Petrovka’s Kurdish residents) after a Kurdish man was accused of raping a young Russian girl, Interior Minister Moldomusa Kongantiev accused the opposition of fomenting interethic unrest. As Kongantiev arrived in the village to launch an investigation into the events, he witnessed local UPM coordinator Saparbek Argymbaev addressing a crowd and drew his own conclusions: “I understood at once that that was his idea…If the opposition seeks such ways - just to unbalance boat on inter-ethnic grounds, it would be not good…Perhaps, Argymbaev and his cronies will be punished for fomenting inter-ethnic hatred.” Argymbaev promptly was taken into custody, along with Green Party leader Erkin Bulekbaev (the Green Party is also part of the UPM coalition). UPM leaders responded by organizing rallies to demand their colleagues’ release, while SDPK members have called on President Bakiev to dismiss Kongantiev from his post, on the grounds that it is the interior minister who is guilty of sparking interethnic strife in Petrovka.

While events in Petrovka certainly are cause for grave concern and merit a thorough investigation, based on his own comments, the interior minister’s main goal appears to have been finding a scapegoat as quickly as possible, and UPM members Saparbek Argymbaev and Erkin Bulekbaev seemed to fit this bill quite nicely. Even President Bakiev has not succumbed to this tack, making no mention of opposition activists’ presence in the village and instead blaming local law enforcement agencies for failing to investigate the rape charges and thereby allowing the situation to spin out of control. Bakiev already has dismissed one
local police chief and has ordered the interior ministry to start a probe into the actions of the other law enforcement officials involved. (13)

Bakiev’s decision to take the high road over this incident, when he could have used it as a pretext to detain the UPM’s leaders, is laudable. However, the president has not taken any measures to censure Kongantiev for his impetuous and, quite possibly, groundless actions against the detained opposition activists, either. The lack of even circumstantial evidence against Argymbaev is troubling and raises the question whether Kongantiev was acting out of sheer malice and/or a personal grudge. Such tendencies can not be allowed to go unchecked at any level of government, but especially not in the uppermost echelons of law enforcement. If Kongantiev is not reined in, he could prove to be a formidable foe, as the UPM’s presidential campaign gets under way.

The UPM’s ace card in the campaign could prove to be its condemnation of the fraud and corruption that have become hallmarks of the Bakiev administration, of which the interior minister’s recent actions are but one small example. However, Atambaev may find it difficult to gain sufficient public support if he continues to portray himself as the reluctant candidate, rather than as someone who is ready, willing, and prepared to lead his country out of the morass of fraud and corruption into which it has sunk under the current administration.

Source Notes:
(3) “Delegates from regions of Kyrgyzstan speak for Atambaev, Isakov during congress of opposition,” 25 Apr 09, AKIpress; Al Bawaba via Lexis-Nexis Academic.
(4) "Kyrgyz Social Democrats nominate presidential candidate," 27 Apr 09, Central Asia General Newswire; Interfax via Lexis-Nexis Academic.


(6) “Almazbek Atambaev: Opposition has made decision I should obey,” 20 Apr 09, AKIpress; Al Bawaba via Lexis-Nexis Academic. Please see The ISCIP Analyst, Volume XV, Number 2, 9 October 2008 for a detailed account of the former CEC chair’s resignation and accusations against President Bakiev’s son.


(9) "Kyrgyz opposition candidate vows to fight increase in presidential term,” 27 Apr 09, 24.kg website; BBC Worldwide Monitoring via Lexis-Nexis Academic.

(10) “Interior Minister Kongantiev claims opposition 'balances boat on inter-ethnic grounds',” 28 Apr 09, AKIpress; Al Bawaba via Lexis-Nexis Academic.


(13) “President Bakiev says Petrovka riots caused by inaction of local government bodies,” 28 Apr 09, AKIpress; Al Bawaba via Lexis-Nexis Academic.

Newly Independent States: Western Region
By Tammy Lynch

Ukraine’s presidential election rhetoric drowns out crisis discussion
Despite continuing questions about the legality of the date of Ukraine’s forthcoming 25 October presidential election, Ukraine’s politicians have launched
themselves into the unofficial campaign. The focus on electioneering has prompted public and private warnings from EU and US officials that Ukraine’s politicians should not be distracted from implementing reforms to weather the financial crisis.

Although they have made no public statements, foreign officials tasked with monitoring Ukraine privately continue expressing surprise that an early election was called in the midst of global financial crisis. Furthermore, while expressing a willingness to work with any president, they worry that months of negotiations with President Viktor Yushchenko and Prime Minister Yulia Tymoshenko over aid from the IMF, World Bank and EBRD may be undercut, should the country choose another direction. Foreign diplomats also wonder about the future of the agreement to help modernize Ukraine’s gas pipeline system.

Over the past two weeks, President Viktor Yushchenko, Viktor Yanukovych, former foreign minister and parliamentary speaker Arseniy Yatseniuk, and former Yanukovych Campaign Manager and Head of the National Bank Serhiy Tigipko have all announced that they will take part in the election. Also Prime Minister Yulia Tymoshenko likely will participate, but has steered away from the topic in public appearances.

The mix of pretenders to the throne, and the possibility (but not likelihood) that a dark horse may upset one of the top candidates has resulted in vibrant discussion about the election throughout Ukraine’s media – a discussion that has replaced much of the previous talk about what reforms are needed to combat the financial crisis.

The election will take place in two rounds; the top two candidates from the first round will compete in the second (assuming neither reaches 50% in the first).
The expected results for one of the candidates—President Yushchenko—are clear. A large number of polls suggest that only 3% - 7% of the population would support Yushchenko. Barring the almost impossible scenario of the declaration of a state of emergency and cancellation of elections, Yushchenko will be a one-term president.

Party of Regions leader Viktor Yanukovych has seen a slight dip in support lately, but still polls within a stable, predictable level of 22%-27%. It would be a major shock if he were not to place first in round one.

The election fortunes of Prime Minister Tymoshenko are far less predictable and are tied to those of Arseniy Yatseniuk. While there is a strong possibility that Tymoshenko would place second in round one, Yatseniuk is proving to be a formidable challenge.

A recent slew of polls suggest that Tymoshenko now is polling around 15%, while the young upstart Yatseniuk is at 12%-13%. Tymoshenko’s once top-level popularity has been battered by Ukraine’s economic downturn, and by constant, unrelenting criticism from both Yushchenko and Yanukovych. The praise she had received from EU, World Bank and IMF officials has not served as an effective counterweight.

Yatseniuk, meanwhile, was dismissed from his post as parliamentary speaker in November 2008, after one year in that position. Since November 2008, he has stayed on the sidelines of politics, rarely commenting on issues, and biding his time. His recent step back from decision-making has led many political activists to suggest that the 34-year-old Yatseniuk possesses an aura reminiscent of US President Obama. It remains to be seen whether the public will accept this categorization, given Yatseniuk’s previous stints as head of the National Bank and Foreign Minister, and his lack of grassroots civic experience. At the
moment, it appears the public may, as he is the only Ukrainian politician seeing an increase in support.

Tymoshenko’s supporters note that the Prime Minister and her parliamentary bloc consistently poll far below their actual election results. In the 2002 parliamentary elections, for example, her bloc was not expected to win the three percent needed to enter parliament; it actually won over seven percent. In 2006, she was expected to gain a result around 15%; her parliamentary bloc won 23%. In the 2007 parliamentary elections, pollsters had an even more difficult time judging support for Tymoshenko’s bloc. Suggested results ranged from 11% to 18%; it won 30%.

Still, Ukrainians are angry at their former “orange” politicians, since many of the reforms that they promised have not occurred. Yatseniuk’s small role in both the protests and the political decisions that followed allows him to distance himself from the fray and the ability to promise a new start. The support for Yatseniuk, therefore, suggests that a significant number of Ukrainians continue to demand change and reform, but may have moved past the focus on the “orange revolution” protests. Understanding this, Yatseniuk is trying to separate himself from his previous benefactor, Yushchenko, who made this more difficult recently by suggesting that the “country needs Yatseniuk.”  

Most Ukrainian political pundits are unsure as to how high Yatseniuk’s popularity will go – has he peaked or is this just the start? Since he has never participated in a national campaign, while Tymoshenko is known as the country’s best campaigner, conventional wisdom is that she should be able to pull away from her upstart challenger. As a leader of the “orange” protests, however, Tymoshenko must know better than anyone that conventional wisdom can be very wrong.
Consequently, it appears Tymoshenko may be hedging her bets. Former National Bank President Serhiy Tigipko’s candidacy is viewed widely as a “technical candidacy” supported by Tymoshenko or her allies in order to bleed away some of both Yanukovych’s and Yatseniuk’s support. (2) Tigipko seems to understand that he has little chance in the election, admitting that he wants only “to influence” the campaign. (3) He denies that he is associated with Tymoshenko, however. His constituency straddles his home base in eastern Dnipropetrovsk and central Ukraine, where he is respected for his reformist work at the National Bank in 2003-2004. Most polls in 2004 showed that Tigipko, not Yanukovych, would have beaten Yushchenko. Tigipko’s lack of total loyalty to then-President Leonid Kuchma, however, precluded his candidacy at that time.

The vibrant political rhetoric in Ukraine now bodes well for the country’s continuing attempts to consolidate the freedoms won in 2004. So far, both Tymoshenko and Yatseniuk have been respectful, but critical, of each other on issues of experience and economic policy. Should this same type of rhetoric continue, Ukrainians would have something to celebrate. Should the country’s politicians also manage to implement necessary financial reforms, the international community, which has committed billions to assist in Ukraine’s recovery, would have its own celebration.

Underneath all of the rhetoric, however, is the question of the election’s timing. Ukraine’s constitutional court will decide soon if the election should happen on 25 October or in January, as originally expected.

Source Notes:

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