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Russian Federation: Executive Branch

By Susan Cavan

"History never repeats itself"

Valeri Zorkin, the onetime and once again Chairman of the Russian Constitutional Court probably should have known better than to utter such a challenge (quoted in MOSCOW TIMES 25 Feb 03 via Lexis-Nexis). History seems to do little but repeat itself in Russia. And we don't have to indulge in debates over whether Putin is the modern incarnation of Peter the Great or Yeltsin his sickly half-brother Ivan, or the boy's namesake Ivan Terrible, recent Russian political history seems virtually stuck in automatic replay, especially now as elections loom.

Does this sound familiar? There are two distinct groups within the Kremlin, each closely connected to the President; one has ties to the security services and the other is synonymous with market privatization. One side believes funneling large sums of money (often from questionable sources) into a splashy modern political campaign will win the hearts and minds of Russian voters. The other furtively traces and investigates the wellspring of the opposition's wealth, pouncing when one of the monied power brokers, or their bagmen, steps out of line -- quick to paint them as disloyal to the Boss. Their rallying cry is strength, order and fealty to the President. Defense of the President, of course, being the highest virtue, or so they tell him. All we need now is for Anatoli Chubais to shut down the power grid to the Kremlin, claim he's quashed a coup, and it could be 1996 all over again. Let's just hope Putin doesn't end up as "colossally fatigued" as Yeltsin was after that particular presidential election.
For those keeping score, the battle lines then were drawn between "reformers" and "hard-liners." The current split is between oligarchs or "The Family" and "siloviki" or chekists. Mikhail Khodorkovsky, Platon Lebedev and Yukos, archetypal oligarch representatives, are 'exposed' before the President as both profiteering leeches on Russia's dwindling resources and Communist supporters. The Oligarchs' P.R. machine answers that this persecution of financiers will stifle western investment and render the President's plan to double GDP stillborn. There's almost certainly a measure of truth all the way around the park in this rematch. What is missing this time is a strong leader with the authority to referee. Putin seems to have neither the personal, charismatic popularity nor the freedom of action separate from either faction of his partisans to stop the infighting and move forward, coherently, in one direction.

But wait, wasn't there once a man who stood for a balance between Executive and Legislative power and who battled attempts by the Kremlin to assert the supremacy of Presidential whim in Russia's fledgling democracy? Wasn't he the one man who could unite all factions within the Kremlin apparat? They were united in opposition to him, and united they were as they ousted him from his post. Whatever happened to that man? Ah yes, he's the one hoping that history never repeats itself.

**Shuvalov matter revisited**

When Igor Shuvalov was shuffled from the White House to the Kremlin earlier this year, it was clear that the implications were less than stellar for his boss P.M. Mikhail Kasyanov. How things will turn out for Shuvalov however, is another matter altogether.

There has been some speculation (See, for example, "A Jury Trial," IZVESTIYA 17 Jul 03 via Lexis-Nexis), that Shuvalov's role in the Kremlin is to head up an organization, working parallel to the government, to assure the implementation of the goals laid out in President Putin's address to the Federal Assembly. It matters
little whether this move suggests that Putin has little faith in the ability of his
Government to fulfill his proposals, or if he is just creating another organ to
absorb the shock waves of disappointment should these plans not reach fruition.
He has, like his predecessor before him, once again built mirror image bodies
within the Kremlin and the Government, apparently in an attempt to leave himself
plenty of options when the choice of a scapegoat comes around.

The composition of the Kremlin-based group is meant to be representative of
several of the various political and economic interest groups: Sergei Glazeyev
from the Communist Party; Georgi Boos and Gennadi Kulik from the
Fatherland/All-Russia movement; Vyacheslav Reznick and Oleg Kovalev from
Unity; Sergei Ivanenko from Yabloko; and the oligarch Oleg Deripaska from
Basic Element will be among the participants in the new "working group." (Ibid.)
The longtime Kremlin economic adviser Andrei Illarionov will also be involved.

**The sinking ship?**
Yet another ministerial staffer has chosen to leave government service, and,
unsurprisingly, he also has close ties to the Kremlin. Alexei Volin, the Deputy
Chief of Staff in charge of Public Relations for the Prime Minister announced that
he had submitted his resignation earlier this month. (MOSCOW TIMES 18 Jul 03
via Lexis-Nexis)

Volin, who had served in the Yel'tsin Administration's Public relations Office as
His willingness to critique the work of the Ministers earned him the reputation as
a Kremlin operative in Government clothing.

**Russian Federation: Foreign Relations**
By Scott Dullea
Moscow maneuvers cautiously for leverage in Iraq

Russia is positioning itself to regain its losses in Iraq (both financial and regarding its international stature). Teaming up with its anti-U.S. cronies from the pre-Iraq war days, Russia is attempting to set conditions to recover what it can of the debt owed to it and to keep alive the oil and other business contracts made with Iraq prior to the war. To accomplish this, Foreign Minister Igor Ivanov is angling to keep the United States from getting the support it wants from the United Nations for its provisional Iraqi administration and for an international peacekeeping force.

Ivanov began his campaign in mid-July with a tour of the Middle East that included stops in Jordan, Syria, Lebanon and Egypt. During the trip, the Foreign Minister highlighted Russia’s involvement as part of the Quartet in the 'road map' for Middle-East peace and stressed the need for additional steps to bring Syria and Lebanon into the "peace process". (RIA, 22 Jul 03; BBC Monitoring via ISI Emerging Markets Database) The other major issue discussed was the situation in Iraq, as Ivanov made phone calls during and after the trip to his counterparts in the U.S., U.K., Germany, Spain and France (all permanent or non-permanent members of the Security Council), as well as to U.N. Secretary General Kofi Annan, purportedly to share with them the results of his Middle East visits but more likely to lobby them for support for Russia’s position in the July 22 open session of the U.N. Security Council meeting on Iraq.

The main themes of Moscow’s position are that U.N. involvement in post-war Iraq must increase (specifically in the establishment of the new Iraqi administration), and that Russia will not contribute forces to a peacekeeping effort unless it is under U.N. auspices. In support of this stance, Russia claims that immediate improvements are needed in Iraq, citing deteriorating humanitarian, political, security and economic conditions since the end of the war. (RUSSIAN CHANNEL ONE TV, 22 Jul 03; BBC Monitoring via ISI Emerging Markets) Ivanov stresses that only the international community can properly resolve these
problems and it must do so with a new Security Council resolution that will "provide clear prospects for a political settlement and help the structures that will be formed in Iraq, in particular the provisional administrative council, and act on the basis of such a plan." (INTERFAX, 18 Jul 03; FBIS-SOV-2003-0718 via World News Connection)

The foreign minister, however, has made no attempt to hide Russia’s true intentions in the affair, stating bluntly during his Middle East tour that "Russia's role in the post-war settlement in Iraq is a key task for the country's diplomatic corps," and that "the crux of the matter is that Russia had considerable economic interests in Iraq and continues to retain these interests today." (RIA NOVOSTI, 16 Jul 03 via Johnson’s Russia List (JRL) #7251, 16 Jul 03) Ivanov is attempting, of course, to make the future Iraqi government acknowledge (and eventually pay) the debts Saddam Hussein’s regime owed to Russia, which according to a report by Russia’s Channel One TV (14 Jul 03 via JRL #7251, 16 Jul 03) total over U.S. $8.5 billion – a formidable task even if the Baghdad government is not handpicked by the United States. The report also estimates that Russia could lose an additional $40 billion if planned joint oil projects fall through in Iraq. Currently, the report calculates, Russia stands to regain a mere one sixth of the money owed to it unless Moscow can win influence in the new Iraqi leadership and post-war economic planning, hence the foreign ministry’s attempts to recruit partners in the Security Council to disrupt U.S. authority in Iraq.

Another area of concern is that of pre-war business contracts between Iraq and Russian companies. Significant money stands to be lost if these contracts are deemed invalid. Back in June, during President Putin’s visit to London, Russian officials there declared that Moscow would insist that Russian contracts concluded with the regime of deposed Iraqi President Saddam Hussein be honored by any successor government and that such contracts "have an impeccable international legal basis." (ITAR-TASS via RFE/RL Vol. 4, No. 26, 1 July 2003) The Russians have already received some assurance from the US
Ambassador to Moscow, Alexander Vershbow, that the U.S. is willing to allow Russia to do business in Iraq. Indeed, some business contracts are being revived; Russian diplomats, according to a RIA Novosti report, (16 Jul 03 via JRL #7251, 16 Jul 03) have already managed to convince the U.S. side that top-priority Russian corporate agreements must continue to be enforced even after the Oil-for-Food program expires on 21 November 2003. Among these contracts is a €44 million deal with Russia’s Volga automobile manufacturer for the delivery of 5,000 cars to equip Baghdad’s taxi fleet. (ITAR-TASS, 21 Jul 03; BBC Monitoring via ISI Emerging Markets Database)

Despite such positive developments for Russia, the Kremlin remains frustrated over U.S. unwillingness to make concessions regarding Moscow’s most prized oil contracts in Iraq. Vershbow made clear that, although the United States intends to do no harm to the interests of Russian companies, "Iraqi oil… belong[s] to the Iraqi people, and decisions about [its] development and future production will be taken by the future Iraqi government." This position resulted in the U.S.’s suspension of contracts signed by Russian companies with the former Iraqi regime. (AFP, 15 Jul 03 via JRL #7249, 14 Jul 03) Mikhail Bogdanov, who heads the Russian Foreign Ministry’s Middle East and North Africa department, calls this a delaying tactic by the U.S. and pro-U.S. Iraqis, which jeopardizes multi-billion dollar contracts such as the one signed with LUKoil before the war to develop the Western Kurna oil deposit. (RIA NOVOSTI, 16 Jul 03 via JRL #7251, 16 Jul 03)

The Russian foreign ministry recently also rebuffed statements by Ambassador Vershbow that the U.S. did not recognize the legitimacy of the Russian diplomatic mission in Baghdad and therefore would no longer be responsible for its security. Additionally, Vershbow suggested that Moscow may have information about the whereabouts of members of the former Iraqi regime that it is withholding from the United States. (RUSSIAN CHANNEL ONE TV, 14 Jul 03
President Putin has not commented publicly on these developments.

At the July 22 open session of the U.N. Security Council on Iraq, the Russian First Deputy Ambassador to the United Nations, Gennadi Gatilov, began his remarks with a humanitarian hook, "It is a prime task of the international community to help the people of Iraq to find a way out of the crisis," but quickly got to the point that Russia is confident this can only be done "with respect for…its right to dispose of natural resources," (read "oil"). (ITAR-TASS, 22 Jul 03; BBC Monitoring via ISI Emerging Markets Database) Igor Ivanov’s efforts seem to have worked as the Security Council withheld, at least for the time being, support for the U.S.-created Iraqi government and refused to send in peacekeeping troops without renewed U.N. authorization. Reflecting some rather petulant foreign tactics, Gunter Pleuger, the German envoy at the U.N., suggested that the council just wants to make Washington "sweat it out" before they endorse the ruling body in Baghdad. This is an attempt to give Russia, France and others the bargaining power they need with the U.S. in order to negotiate outstanding oil and other business contracts. (THE BOSTON GLOBE, 23 Jul 03)

It is unclear if such pressure, despite its apparent success in the Security Council, will have a long term positive effect on Russian economic interests in Iraq — especially considering the U.S.’s recent success in the killing of Saddam Hussein’s two sons. The Russian Foreign Ministry was quick to announce its opinion that this particular military achievement would not improve the situation in Iraq. (RUSSIAN CHANNEL ONE TV, 23 Jul 03; BBC Monitoring via ISI Emerging Markets Database)

Despite the importance of these debts and business contracts and the international support Moscow has acquired on this issue, the Russians, in this process of seeking leverage against the U.S., tread cautiously and use minor
tones with the Americans and British, unlike the sparring that took place in the pre-war debates. Moreover, President Putin seems to be aware of the narrow fence he is walking between the practical need to maintain a healthy relationship with the U.S. and the political necessity to avoid upsetting those at home who disapprove of any kowtowing to the Americans. His silence on the matter may also indicate his limited confidence in success, as he lets Igor Ivanov lead the charge and also potentially absorb the blame should he come home empty-handed.

Russian Federation: Domestic Issues and Legislative Branch
By Kate Martin

REGIONS

All’s well that ends...
The much-discussed (and, in Russia, -decried) new transit system between Kaliningrad and points east came into effect with nary a whimper, despite a couple of bumps in the road.

A "facilitated travel document," that is, a simplified visa allowing for multiple entries, became required paperwork on 1 July. It resulted from months-long negotiations involving Moscow, Vilnius and the European Union this past winter over transit through Lithuania, which is due to join the EU next year. During the negotiations, tempers and rhetoric flared, as Russia claimed it was being abused, while Lithuania declared it was being ignored. (THE NIS OBSERVED, 9 Apr 03)

Yet, as temperatures rose this summer, attitudes cooled. On the first day the system was instituted, nearly one-third of the passengers were removed from the Chelyabinsk-Kaliningrad train for lack of the proper documentation. Lithuania
State Border Guards Chief Algimantas Songaila was neither surprised nor worried. "As far as trains coming from Moscow are concerned, we have much fewer problems there [sic] and in my opinion, the percentage of passengers taken off those trains is really low for the first day," he said. Songaila blamed Russia for not informing potential passengers adequately about the new requirements, particularly the need to apply for tickets 24 hours in advance. (LITHUANIAN RADIO, 0900 GMT, 1 Jul 03, BBC Monitoring via Global NewsBank)

Such a lack of communication is surprising, given the amount of discussion on the topic a few months ago. Especially, as Lithuanian presidential envoy and Seimas MP Gediminas Kukilas pointed out, "an absolute majority of those who were taken off trains are Kaliningrad residents who for whatever reason believe that this [new] procedure applies to other Russians but not to Kaliningrad Region residents." (LITHUANIAN RADIO, 1200 GMT, 2 Jul 03, BBC Monitoring via Global NewsBank)

While Lithuanian authorities downplayed the number of individuals removed in the first two days as "less than a hundred," (Ibid.), other coverage noted "chaos," "angry scenes" and children on holiday being taken off trains. (DEUTSCHE PRESS-AGENTUR, 1 Jul 03 via Global NewsBank) However, what could have become a public relations nightmare was ignored, intentionally, in Moscow. The Russian government decided not to make an issue out of the situation. (WWW.PRAVDA.RU, 3 Jul 03 via english.pravda.ru) Indeed, Dmitri Rogozin, Putin’s envoy for Kaliningrad issues, had signaled the Kremlin’s new attitude a few days earlier, declaring that the travel issues had been resolved, and that a Kaliningrad-Moscow air taxi was scheduled to start functioning as of 30 June, to provide a lower-cost alternative to second-class train fares. (INTERFAX, 0719 GMT, 27 Jun 03, BBC Monitoring via Global NewsBank) Moreover, he added, ferry options were being explored.
The rosy outlook continues through the month of July. Russian Foreign Minister Igor Ivanov and his counterpart in Vilnius, Antana Valionis, discussed the new system last week and the assessment reportedly was positive. (RIA NOVOSTI, 24 Jul 03 via en.rian.ru)

**How do you say ‘ironic’?**

Speaking of Russo-Baltic relations, Moscow has instituted a new law strikingly similar to Baltic legislation it challenged long and hard only some years ago. The education ministry has announced that materials to test Russian-language fluency, a requirement of the law "On Citizenship of the Russian Federation," have been registered with the justice ministry and distributed to educational institutions. (RIA NOVOSTI, 25 Jul 03 via en.rian.ru) Individuals must demonstrate a "basic general command of the Russian language" before being granted citizenship.

**POLITICAL PARTIES**

**Bell tolls for regional parties**

There are no more regional parties, according to Yelena Dubrovina of the Central Election Commission. "From now on, only federation-wide political parties will be able to take part in elections to all bodies of state parties," she said. To date, the justice ministry has registered 52 parties. (CHANNEL ONE TV, 1100 GMT, 14 Jul 03 BBC Monitoring via Global NewsBank)

One of the registered parties is, decidedly, not the faction of the Liberal Party that backed Boris Berezovsky. With the oligarch still in exile in London, and the chairman, Mikhail Kodanev, entangled in the police investigation of the murder of MP Sergei Yushenkov, (THE NIS OBSERVED, 9 Jul 03) the faction became leaderless less than a month after its followers voted to support Berezovsky and Yushenkov. When Berezovsky tried to cope with the newest "snag," by inviting Ivan Rybkin to chair the faction, the justice ministry refused to validate its papers. "At present, only one [liberal] party is registered at the Justice Ministry -- it is
chaired by Viktor Pokhmelkin and Boris Zolotukhin," Deputy Justice Minister Yevgeni Sidorenko explained (WWW.PRAVDA.RU, 16 Jul 03 via english.pravda.ru)

Despite the fact that two previous chairmen of the competing faction (Sergei Yushenkov and Vladimir Golovlev) were assassinated, Pokhmelkin refused to consider what some could term the "safe" route out of the party conflict: joining Boris Berezovsky. "He has done his best to discredit the liberal movement, he is a person of no principles, he does not have any political objectives, he is simply trying to get away from the legal persecution on the part of the Russian government," Pokhmelkin said. (WWW.PRAVDA.RU, 16 Jun 03 via english.pravda.ru) One cannot help but be startled by the clarity of the politician’s position.

Not being registered is the least of the problems for Kodanev and his aide, Aleksandr Vinnik, who are among those arrested for alleged roles in the Yushenkov assassination, according to police. The suspected wheelman and lookout, Vladimir Palkov and Anton Drozd, were picked up on 10 July, bringing the number of suspects to six. "The investigation presumes that two of these people, residents of Syktyvkar, carried out the killing, and two others [Kodanev and Vinnik], organized the assassination," police said. (INTERFAX, 1517 GMT, 10 Jul 03, BBC Monitoring via Global NewsBank)

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Russian Federation: Security Services

By Maolmordha McGowan

National insecurity, as provided by the Federal Security Service

Platon Lebedev, chief financial strategist for Yukos oil and head of Menatap, a subsidiary of Yukos, spent the last three weeks in the FSB’s state criminal prison at Lefortovo. He was arrested ostensibly for embezzling $283 million when he
purchased the state-owned fertilizer company Apapit in 1994, though the time elapsed since the incident coupled with the selective prosecution of privatization crimes suggest that his arrest was political. It is widely believed that Lebedev’s boss, CEO of Yukos and Russia’s reputed richest man, Mikhail Khodorkovsky, was the implied target. (MOSCOW TIMES, 16 Jul 03 via Lexis-Nexis.) On 2 July, the Prosecutor General’s Office announced that Lebedev had been taken in for questioning after on a request from the Duma Economic Policy and Entrepreneurship Committee Deputy Chairman Vladimir Yudin, based on a Duma probe which contended that Lebedev misappropriated 20 percent of the shares of Apapit. (Tass, 3 Jul 03 via Lexis-Nexis) During the same week, Yukos’ offices were raided and ransacked by unidentified masked men. The FSB later took Yukos security chief Aleksei Pichugin into custody (VEDOMOSTI, 25 Jul 03 via Lexis-Nexis) and handed his case over to the Prosecutor-General’s Office, which initiated investigations into supposed tax violations, attempted murders, theft and seven cases of homicide. (NEZAVISIMAYA GAZETA, 25 Jul 03 via Lexis-Nexis)

Within days, seven investigations were open against Yukos, its employees, subsidiaries, and Khodorkovsky himself. (ITAR-TASS, 23 Jul 03 via Lexis-Nexis) While Lebedev has been held in prison for three weeks and denied bail by the Moscow City Court on 23 July, claims against him have not been substantiated, and there are, of course, other charges of misconduct. (MOSCOW TIMES 25 July 03 via Lexis-Nexis) Olga Yegorova, head of the Moscow City Court, is considered a close ally of the Kremlin operative believed to have a hand in the investigations, Viktor Ivanov. (MOSCOW TIMES 25 July 03 via Lexis-Nexis) Pichugin’s lawyer Tatiana Akimtseva said her client was drugged by investigators, and then pressured into confessing to bogus charges. (NEZAVISIMAYA GAZETA, 25 July 03 via Lexis-Nexis)

Clashes between the security services and the oligarchs are nothing new, though the drive against the $11 billion man Mikhail Khodorkovsky and his empire has
startled the international business community. Since the scandal broke, the Russian stock market has lost over $20 billion in value as foreign capital flees amid fears that the security services are nearing a full-scale attack on the economy. (MOSCOW TIMES, 24 Jul 03 via Radio Free Europe-Radio Liberty, 24 Jul 03) Yukos is an internationally-respected corporation, withstanding the scrutiny of Western investors through its transparency and predictability. Khodorkovsky has distinguished himself from other oligarchs by spending his resources promoting pro-Western ideas and supporting a close, cooperative U.S.-Russia partnership. He announced recently that he would leave the business world in 2007, rousing speculation that he may seek to become Putin’s successor in 2008. (ST. PETERSBURG TIMES, 22 Jul 03 via Lexis-Nexis) Khodorkovsky has also announced that Yukos intends to merge with Sibneft to create the world’s 4th largest oil company, in possession of greater proven petroleum reserves than any other single firm. (AGENCE FRANCE PRESSE (AFP), 26 Jul 03 via Lexis-Nexis) This may have prompted Audit Chamber head Sergei Stepashin to suggest that Sibneft would be next on the list of targets when he told the media that it was one of the nation’s "biggest tax cheats." (MOSCOW TIMES, 8 Jul 03 via Lexis-Nexis) Fearing he may indeed be next for the treatment that the Kremlin is giving Khodorkovsky, Sibneft CEO Roman Abramovich allegedly is preparing to flee to the U.K., where he recently bought a soccer club, an apartment, and a villa. [(LONDON) SUNDAY EXPRESS, 13 July 03 via Lexis-Nexis]

Clearly, Mikhail Khodorkovsky’s power and principles have not made him a favorite of President Putin. He became an explicit rival of the establishment when, on 7 April, he announced his intention to participate openly in politics by financially supporting Yabloko and the Union of Rightist Forces (SPS). (VEDOMOSTI, 8 Apr 03 via Lexis-Nexis) At the time, Khodorkovsky had been courting SPS leader Boris Nemtsov for support on the issue of private financing of oil pipelines. The Kremlin has consistently opposed these measures, which substantially increase the power of private oil firms. (ST. PETERSBURG TIMES,
28 Mar 03 via Lexis-Nexis) Khodorkovsky clearly believes the future of Russian business should not lie exclusively in the hands of the Putin establishment.

Some in Putin's administration obviously do not believe that the business empires of the oligarchs should drive the future of Russia. Russian media have reported that former FSB agents, deputy heads of the Kremlin administration, and trusted Putin advisors, Igor Sechin and Victor Ivanov are behind the push against Yukos. (KOMMERSANT-VLAST, 21 Jul 03 via Lexis-Nexis) Both Ivanov and Sechin worked with Putin in the 1990s at the St. Petersburg FSB department, and both followed Putin to the Kremlin. The two are informal leaders of a faction within the Kremlin administration connected to Putin via the FSB and St. Petersburg called, as Kommersant-Vlast has dubbed them, "FSB Inc." FSB director Nikolai Patrushev, whose officers made the arrest, and Prosecutor-General Vladimir Ustinov, whose investigators are pursuing the cases, are also part of this faction. FSB Inc. seems to be settling into a struggle with an older faction within the Kremlin, holdovers from the Yeltsin "Family" who created United Russia to support Yeltsin’s then Prime Minister Vladimir Putin in the presidential succession and election. This group includes the current Prime Minister, Mikhail Kasyanov, as well as the co-chairmen of United Russia, Emergency Situations Minister Sergei Shoigu, Interior Minister Boris Gryzlov, and Moscow Mayor Yuri Luzhkov. (MOSCOW TIMES, 8 Jul 03 via Lexis-Nexis) Corruption investigations by the FSB and Prosecutor General’s Office now focus on Shoigu’s deputy and Luzhkov’s crime police, all of whom serve within Gryzlov’s MVD, (see NIS Observed, 10 Jul 03). These various moves may be viewed as part of a larger operation by FSB Inc. to sideline the old-Kremlin faction of the Putin administration.

While he has remained quiet so far on the issue of the raids, Putin may have played a direct role in ordering or endorsing the investigations. Knocking the ‘haves’ in Russian society tends to pay election dividends, though Putin’s personal approval remains comfortably high. Boris Nemtsov has accused Putin
of simple bullying, and sending a clear message to Khodorkovsky and the other oligarchs about "who is in charge" in Russia, a perfectly reasonable theory. (INTERNATIONAL HERALD TRIBUNE, 22 Jul 03 via Lexis-Nexis)

Soon after taking power in 2000, Putin brokered an informal deal with the oligarchs, wherein the tycoons agreed to stay out of politics and Putin allowed the businessmen to keep the assets gained during the lawless era of privatization. Both sides have repeatedly broken the rules, culminating in demonstrations of power by Putin and with collapse of the empires within Russia of Boris Berezovsky and Vladimir Gusinsky. (AGENCE FRANCE PRESSE, 17 Jul 03 via Lexis-Nexis)

FSB Inc at least, and possibly Putin himself, would like to see Khodorkovsky go out the same way.

At the time of the Yukos raids, the President was in Britain promoting Russia as a safe haven for investment. Putin's administration has shown a special touch for irony, and well-timed trips abroad as, for example, the last time an oligarch (Gusinsky) was under serious pressure by the administration, Putin was visiting Spain and professing ignorance of the matter. (THE ECONOMIST, 17 Jun 03 via Lexis-Nexis)

The FSB, following a long tradition among Russian security organs, is very suspicious of powerful elements within Russian society that appear to be sources of foreign influence. Khodorkovsky’s Western-friendly beliefs and his decision to use his money to support these ideas and viewed as particularly threatening by the conservative FSB faction, making him a target of FSB Inc. By weakening or taking over Khodorkovsky’s empire, they could diminish external interests as well as the oligarch’s lobby, and secure for themselves positions of power and wealth for the foreseeable future.

This has left Putin on the fence, with his closest allies and friends from the FSB on one side and the United Russia party that has provided a political base for his presidency, replete with the oligarchs who challenge his policies, on the other.
Mikhail Kasyanov has demonstrated solidarity among "Family" members by making it clear that he supports the oligarchs, a move that may not score many points for United Russia. It appears that Putin will side with him and rein in FSB Inc., if for no other reason than to protect an economy badly damaged by the investigation. On 23 July, Nezavisimaya Gazeta reported that the old-Kremlin faction had won over Putin in the debate, and that the President would probably issue a statement condemning both the oligarchs and the security services sometime after his return from overseas. (NEZAVISIMAYA GAZETA, 23 July 03 via Lexis-Nexis)

In this struggle for power and wealth between the two factions of the Kremlin, the clear loser will be the people of the state they fight to control. There may not be much money left to embezzle, enemies left to force into exile, or offices left to raid by the time the dust settles.

Newly Independent States: Western Region
By Nadezda Kinsky

BELARUS
Gaining momentum?
President Lukashenka of Belarus sacked his Prime Minister Henady Novitski, Deputy Prime Minister Alyaksandr Papkou, Agriculture Minister Mikhail Rusy and Anatol Kusma (Head of the State Concern for Food Industry) on July 10. He charged them all with being "ineffective, failing to keep presidential orders to protect the people's well-being or pay agrarian workers, and also falsifying and misrepresenting information." (AGENCE FRANCE PRESSE, 10 Jul 03 via Lexis-Nexis). They were replaced by Syarhey Sidorski as Prime Minister, Raman Unuchka as Deputy Prime Minister, Zyanon Lomats as Agriculture Minister, and Uladzimir Dauzhankou as State Concern for the Food Industry head. The accusation of falsifying facts is particularly amusing: Lukashenka's regime itself
has rather blatantly falsified economic reports beyond all recognition throughout his tenure, in order to support the entirely unfounded claim that Belarus was the "economic tiger" of the CIS states. The president made this assertion repeatedly in the 1990's. Lukashenka also claims that the reshuffle was undertaken only because of the need to gain momentum in meeting Belarus' economic targets, which the previous ministers had not been able to do. An instruction went out to the Agriculture Ministry on July 22, that all wage arrears to farmers - which amount to about 22 billion rubles (about U.S. $10.6 million) are to be paid out by July 31.

In response to rumors that he was preparing the ground for a referendum that would allow him to extend his tenure in office beyond the two terms anchored in the constitution, he answered: "These are downright lies!" Lukashenka's second term won't end until 2006, but already the opposition is watching the President closely for fear that he will introduce a term extension referendum - with some expecting such a move to occur before this year is out. Some have voiced the opinion that with this latest shuffle, Lukashenka is trying to win back voters by laying the blame for the country's dismal economic situation at the feet of his underlings. "Lukashenka is well aware that he will not win with a 12.8 percent approval rating, therefore he is trying to win back voters disenchanted with his rule. It is not accidental that he targeted agriculture, where his most loyal supporters are employed," said Anatol Lyabedzka, leader of the opposition United Civic Party. (BELAPAN, 10 Jul 03 via BBC Monitoring via Lexis-Nexis)

In the meantime, Western observers are continuing to push for measures on democratization and electoral reform in Belarus. On July 10, the US embassy in Minsk issued a statement in order to draw attention to "the ninth anniversary of the last election recognized by the international community as being democratic in character" (Full text available at: http://www.usis.minsk.by). The statement urges a return to the democratic standards and practices reached in Belarus in
The Belarusian parliamentary reshuffle has all the signs of the beginning of a larger-scale purge of the upper ranks of the regime. In the wake of the reshuffle, over 30 officials in the Minsk regional administration were either sacked or severely reprimanded for their poor performance. Lukashenka moreover stated that one third of government posts will be filled with new persons in the near future (BBC Monitoring, 10 Jul 03 via Lexis-Nexis). Education Minister Pyotr Brigadin and Information Minister Mikhail Podgainy are said to have resigned from their posts. They had also made themselves highly unpopular with the electorate and could easily serve as scapegoats for Lukashenka in his bid to improve his public image and remind the population and the political elites in Belarus just who is in charge.

UKRAINE

Freedom of the Press?
The Verkhovna Rada adopted a bill on July 9 that has made Ukraine once again the center of considerable concern among international media watchdogs. According to the new legislation, journalists can no longer legally protect their sources, and any journalist who is accused of revealing state secrets is now subject to arrest. Moreover, security services can detain journalists, search their houses and conduct invasive body searches on them if they are suspected of investigating state secrets and are "intending to publish their information". This clearly conflicts with the journalistic duty to disseminate information in the public interest, and appears designed to put investigative journalists personally at risk.

Head of the parliamentary Committee for Freedom of Speech and Information, Mykola Tomenko, the Head of the Ukrainian Union of Journalists, Ihor Lubchenko, and other prominent figures from the world of media, politics and academics in Ukraine sent an open letter to Kuchma urging him to veto the bill.
According to them, it was adopted in accord with the parliamentary code. (UNIAN, 15 Jul 03 via BBS Monitoring via Lexis-Nexis)

International organizations also reacted immediately. On July 15, Freimund Duve, OSCE representative on the Freedom of Media, wrote a letter to the Ukrainian Foreign Minster Anatoli Zlenko in which he outlined his worries that this law will strengthen the state secret services and further undermine Ukrainian media freedom. "It is ominous that your country," writes Duve, "where the media situation has been steadily deteriorating for the past five years, should decide at this point to approve a highly restrictive law that would have a chilling effect on the work of journalists, especially those investigating corruption." (Full text available at: http://www.osce.org).

Another major concern is that the judiciary could be bypassed in such cases, with the real power of decision resting with government forces and security services. Spokesman for the OSCE, Alexandr Ivanko, stated his particular worry that the legislation was very vague about the kind of information that could lead to prosecution of a journalist. Robert Menard of the French media watchdog Reporters without Borders called it a "death sentence for investigative journalism." Reporters without Borders also noted that this law would put journalists even more at the mercy of the security authorities than they are now. The organization's secretary-general said that the parliament was breaking basic principles of press freedom by "choosing to give the intelligence services carte blanche to do as they will with journalists, especially those who report cases of corruption that could embarrass the authorities". The legislation, according to Robert Menard, would give journalists "no choice but to take refuge in self-censorship" (http://www.rsf.org/article.php3?id_article=7566).

As if to underline the potential ramifications of the steady deterioration of the media situation in Ukraine, July 14 saw the death of newspaper and TV editor Vladimir Efremov in a car accident. Car accidents have an ominous history in
Ukraine where they have more than once appeared to be remarkably convenient for the government. Efremov, a critic of President Kuchma’s regime and supporter of former Prime Minister Pavlo Lazarenko, was scheduled to appear at a United States hearing on August 18 in connection with Lazarenko’s embezzlement charges. Reporters without Borders, for whom Efremov acted as a representative in Ukraine, immediately issued a statement calling for an investigation into the cause of the car crash. In October 2001, the editor claimed that he was afraid he would be killed for his journalistic activities and specifically mentioned a staged car crash as a probable method (www.rsf.org/article.php3?id_article=7515). The Institute for Mass Information in Ukraine is investigating the case.

**MOLDOVA**

**Low ranking**

When the United Nations Development Program’s (UNDP) annual Human Development Report was released on 8 July, Moldova had no cause for celebration over the results. The report ranked Moldova 108th out of 175 countries, making it the lowest ranked country in Europe – with the nearest European neighbor on the table being Turkey (which at 96th was 12 places higher up the scale). The report calculates its scores based on each country’s per capita GDP, average life expectancy, adult literacy rate and education enrollment. While the Moldovan adult literacy rate is at 99%, Moldovans have an average life expectancy of only 68.5 years, combined primary, secondary and tertiary education enrollment stands at 61% and the per capita GDP is listed as U.S. $2,150. The report is available online at http://www.undp.org/hdr2003.

Prime Minister Vasile Tarlev responded to the report’s publication on July 9, saying that he did not agree with the ranking. While admitting that Moldova’s living standards had slipped considerably over the past several years since the breakup of the USSR, he did not agree that Moldova’s development rating deserved to be the worst in Europe. Moldova remains highly dependent on
Russia and is haunted by challenges to its territorial integrity – most notably in the Transdniestr breakaway republic and the Gagauz-Yeri region. According to the United Nations Development Program, Moldova is among several countries who need international support in order to recover from their current plight and begin working toward a higher standard of living for their populations.

Newly Independent States: Caucasus
By Miriam Lanskoy

AZERBAIJAN
South Azerbaijan rising?
The students’ mass protests in Iran raise important issues for Azerbaijani foreign and domestic politics. The Azeri population of Iran, which by various estimates numbers between 16 million and 35 million, represents the largest single minority in Iran and is at least twice the population of Azerbaijan itself. (Eurasianet, 15 Apr 03) The political awakening of this group constitutes a serious challenge not only to the existing government of Iran but also to Azerbaijani authorities.

Although some fringe activists in Turkey and Azerbaijan have called for a unification of Azerbaijan and "south Azerbaijan," the most frequently aired demands focus on language and cultural rights for the Azeris of Iran. In recent weeks Azeri activists have called for a federalization of Iran and an autonomous republic for the Azeri minority (Such a republic existed briefly during the Soviet World War 2 occupation of northern Iran). However from the perspective of the Azerbaijani government this outcome would shift the Azeri national focus to the larger Iranian Azeri population. Hence the governments in Baku and Teheran are both threatened by the political activism of the Iranian Azeri national movement.

In June, the student protests spread far beyond Teheran and included Tabriz, the center of the Azeri population. Tabriz University students staged a walkout
chanting in the Azerbaijani language, "Khatami resign!" and "Freedom to nations!" The protests were dispersed violently leading to a number of injuries and at least 400 arrests. (Lider TV, 19 Jun 03 via BBC Monitoring.) A state of emergency was imposed in Tabriz but was not officially announced. In the city Kerman, mass actions lasted five days before crowds were dispersed by troops. In Esfahan, the troops killed a demonstrator. (Zerkalo, 20 Jun 03)

On July 3 and 4 Azeris made a traditional pilgrimage to the grave of national hero Babak at Fort Bazz in Northern Iran. In the 9th century Babak fought against the Arab conquest and has become a symbol of Azeri nationalism. Despite Iranian efforts to prevent this march from taking place, this year a record number of Azeris participated and for the first time the marchers hoisted Azerbaijani flags. [According to the Congress of World Azerbaijanis there were 800,000 participants. (Zerkalo, 4 Jul 03) According to the National Revival Movement there were 2 million marching. (Ekho, 5 Jul 03)] The march was an act of civil disobedience on a massive scale – the participants came despite official admonishments and the presence of the Iranian military.

In the West, Mahmudali Chehregani, the leader of the National Revival Movement, a political dissident – and former professor at Tabriz University is the leading spokesman of the Azeris of Iran. He was imprisoned briefly in Iran three years ago and subsequently moved to the United States. During a visit to Baku on June 14, Chehregani told veterans of the Karabakh war that an army of one million of their co-ethnics "is ready to fight for Karabakh." According to Chehregani, there will be a federative government in Iran within 18 months. (ANS, 3 Jul 03, BBC Monitoring) Among the sites he visited in Baku was the memorial to the victims of the 1991 Soviet repression of Azeri demonstrators and the grave of Abulfaz Elchibey, the Soviet era dissident and the first president of the independent Azerbaijani state (ANS, 2 Jul 03, BBC Monitoring).
This enthusiastic and populist message hearkens back to Azerbaijan's own nationality movement of the early 1990s which those in power presently would prefer to forget. With the presidential elections only two months away, the last thing the government of the ailing Heyder Aliev needs is a reminder of Azerbaijan's charismatic leader Abulfaz Elchibey and of the expectations and ambitions of that earlier period. Aliev has been undergoing treatment in Turkey and has not been seen in Azerbaijan for over two weeks. He is widely expected to die before the elections. However neither "the family" around Aliev nor the opposition seems to have a strategy for contesting the elections. Both camps are divided by fierce rivalries and no leading candidates have emerged.

The crisis in Iran also poses complicated dilemmas for Azerbaijani foreign policy. Azerbaijan has agreed to send a small peacekeeping contingent to Iraq, and now rumors abound that Azerbaijan may be similarly engaged if the U.S. decides to apply greater pressure against Iran. Azerbaijani leaders have offered the U.S. bases in the past and have said that they would like to join NATO eventually. However, mindful of the powerful neighbors Russia and Iran, the Azeris must be very careful about any cooperation with the U.S. on the subject of Iran, and the foreign minister Vilayat Quliyev denies that any approaches have been made by the U.S. government. (ANS, 19 Jun 03, BBC Monitoring.) The independent daily Ekho reported, however that Iran has already sent a note to Baku threatening that any U.S. deployment in Azerbaijan would be perceived as an "act of aggression and Iran reserves the right to carry out a preventive strike." (Ekho, 19 Jun 03, BBC Monitoring) At the same time, Azeris must consider the possibility that the U.S. may employ the good offices of Armenia to explore relations with Iran, leaving Azerbaijan isolated. Hence, U.S. decisions on its policy and approaches in the region will, to a large extent, determine the direction Azerbaijan follows. At present, the only thing that seems certain is that monumental political challenges are looming in Iran and Azerbaijan, and none of the domestic or international actors have elaborated a strategy to address them.
Newly Independent States: Central Asia
By Joel Hafvenstein

OIL AND GAS
Pipeline Politics
Over the last two weeks, Russia’s Gazprom CEO Alexei Miller has been making the rounds in Central Asia. In Tashkent, he and Uzbek president Islam Karimov reaffirmed their "strategic cooperation" agreement of last year, under which Uzbekistan hopes to pipe 10 billion cubic meters of natural gas per year to Russia by 2005. (INTERFAX, 1620 GMT, 22 Jul 03; FBIS-SOV-2003-0722 via World News Connection) For both Karimov and Gazprom, the "strategy" behind the agreement is the marginalization of key rivals: respectively, Turkmenistan and Itera, a privately held Russian gas trading company.

Uzbekistan sees an opportunity to outflank Turkmenistan, which has much larger natural gas reserves but is dependent on the Central Asia-Center pipeline to send its gas to market in Russia and Ukraine. That pipeline, which passes through Uzbekistan and Kazakhstan, has a potential capacity of 70 billion cubic meters; due to disrepair however, it may now be able to operate at no more than 60% capacity. Interestingly, Uzbek Prime Minister Otkir Sultonov recently gave an even lower estimate, suggesting that given "possible restrictions and the wear and tear of the republic's trunk gas pipeline network, the amount of gas transit intended for Uzbek northern neighbors will not be more than 20-25 billion cubic meters." This startling admission was the pretext for a declaration that first priority would be given to Uzbek supplies, and that only the "spare capacity" would be available for Turkmen gas shipments to other northern customers. (INTERFAX, 1251 GMT, 15 Jul 03; FBIS-SOV-2003-0715 via World News Connection) If the pipeline has deteriorated as far as Sultonov suggests, there will doubtless be very little capacity to spare. To protect itself from possible retaliation, Uzbekistan has declared that it will build a pipeline to supply its
southern regions with gas without (as at present) piping it through Turkmenistan. (INTERFAX, 1123 GMT, 17 Jul 03; FBIS-SOV-2003-0717 via World News Connection)

Gazprom, meanwhile, has the Uzbek government’s support in its attempt to lock Itera out of the Central Asian gas market. Four days before Sultonov’s declaration, the Turkmen government signed a contract with Itera and Ukraine to ship 36 billion cubic meters to Ukraine (its largest customer) and 10 billion to Itera over the next year. (INTERFAX, 1423 GMT, 11 Jul 03; FBIS-SOV-2003-0711 via World News Connection) Uzbekistan has explicitly refused to ship those 10 billion cubic meters or sign any contract with Itera. Sultonov pointedly suggested that "countries such as Georgia, Armenia, and Azerbaijan, which buy natural gas from Itera, should draw certain conclusions." (INTERFAX, 1251 GMT, 15 Jul 03; FBIS-SOV-2003-0715 via World News Connection)

While Itera may not recover from this blow, it is too early to write off Turkmenistan. Significantly, Gazprom has not committed itself to the Uzbek strategy of marginalizing Turkmen gas. Gazprom itself is slated to buy 6 billion cubic meters of gas from Turkmenistan this year, with a 25-year contract greatly expanding that amount. (ITAR-TASS, 0747 GMT, 11 Jul 03; FBIS-SOV-2003-0711 via World News Connection) Two days after his visit with Karimov, Miller met with Turkmen President Niyazov and declared a draft accord on building a new pipeline to accommodate Turkmen gas exports to Russia. (ITAR-TASS, 1425 GMT, 24 Jul 03; FBIS-SOV-2003-0703 via World News Connection) The full plan will not be released until mid-August at the earliest. However, previous Turkmen plans with Russia and Kazakhstan have resurfaced, prompting a renewed debate on a proposed pipeline along the Caspian coast (avoiding Uzbek territory altogether), capable of carrying 30 billion cubic meters of gas by 2007. (INTERFAX, 0736 GMT, 29 May 03; FBIS-SOV-2003-0629; ITAR-TASS, 1446 GMT, 14 May 03; FBIS-SOV-2003-0514 via World News Connection) Both Ukraine and Turkmenistan have redoubled their pleas for such a pipeline. It is
certainly in Russia’s and Gazprom’s interests to retain access to Turkmenistan’s gas supplies, which are expected to outlast Uzbekistan’s by decades. Karimov may hurt Uzbek interests in the long term by deliberately tightening supply on the Central Asia-Center pipeline, thus forcing the development of alternate routes on which Uzbekistan can collect no tariff or maintenance fee when its own gas is gone.

Meanwhile, Turkmenistan continues to seek a gas outlet to the south. In October, an Asian Development Bank feasibility study is due on the famous Trans-Afghan pipeline. If built, this proposed line could transport another 30 billion cubic meters of gas per annum from the Daulatabad field in eastern Turkmenistan to South Asian markets. (INTERFAX, 0757 GMT, 26 Jun 03; FBIS-SOV-2003-0626 via World News Connection) However, The News of Islamabad recently reported that the project has once again been put on hold for reassessment. (THE NEWS, 08 Jul 03; FBIS-NES-2003-0707 via World News Connection) There are pervasive security issues with the pipeline’s Afghan segment, which passes through areas largely beyond the control of the Karzai government. Some investors have questioned whether the project will be worthwhile without Indian involvement (unlikely in the current tense atmosphere with Pakistan). Also, there have been reports that Gazprom convinced Turkmenistan to allow it to develop Daulatabad for northern extraction. The Turkmen government has strongly denied this, insisting that it is still committed to the Trans-Afghan route. (DAWN, 18 Jul 03 via www.times.kg) Given its strategic interest in having an outlet for its gas that is not controlled either by Uzbekistan or Russia, Niyazov’s insistence is probably genuine.

While Uzbekistan and Turkmenistan squabble over gas exports, Kazakhstan has been a clear winner, increasing its hydrocarbon export potential in all directions. It is expanding the Tengiz-Novorossiisk oil pipeline to Russia; discussing new Caspian oil shipments to Ukraine for sale on European markets; connecting its Caspian oilfields to China via new pipelines; and pledging eventually to ship gas
through Azerbaijan’s projected Baku-Ceyhan line, a pipeline much prompted by Turkey in Central Asia over the last few years as part of a "new Silk Road" sending oil and gas flowing both East and West from the Central Asian republics. (INTERFAX, 1406 GMT, 25 Jun 03; FBIS-SOV-2003-0603; INTERFAX, 0534 GMT, 19 Jul 03; FBIS-SOV-2003-0719; INTERFAX, 0756 GMT, 3 Jun 03; FBIS-SOV-2003-0603; INTERFAX, 1425 GMT, 4 Jun 03; FBIS-SOV-2003-0604 via World News Connection)

The Kazakh government has also initiated various Kazakh-Russian joint ventures to develop the reserves of the northern Caspian region. Though negotiations continue on each littoral country’s exact share of Caspian waters (see N.I.S. Observed, 28 May 03), Kazakhstan appears likely to emerge with the lion’s share of oil and gas. Recoverable hydrocarbon reserves are reported to be 2.1 billion tons in the Russian sector, 2.2 billion tons in Turkmenistan, 3.7 billion tons in Azerbaijan, 1 billion tons in Iran, and a whopping 4.356 billion tons of oil, 518 billion cubic meters of free gas, and 61 million tons of gas condensate in the Kazakh sector. (INTERFAX, 1125 GMT, 23 Jun 03; FBIS-SOV-2003-0623 via World News Connection) The Russian government seems to have agreed to Kazakhstan’s various plans in exchange for extensive involvement by Russian companies in extracting and exploiting Kazakhstan’s reserves. Which country will gain the most in the long run remains to be seen.

TURKMENISTAN
Leave if you like
The crisis sparked by Turkmenistan’s unilateral repudiation of its dual-citizenship arrangement with Russia (see N.I.S. Observed, 10 July 03) has subsided temporarily. After several meetings of a Russian-Turkmen special commission, Russian Deputy Foreign Minister Alexei Fedotov announced that the Turkmen government has dropped its requirement that Russian passport-holders must obtain an exit visa before they are able to leave the country. (ITAR-TASS, 1611 GMT, 10 Jul 03; FBIS-SOV-2003-0710 via World News Connection) This partly
addresses the fear that Russian citizens may find themselves trapped under Saparmurat Niyazov’s increasingly despotic rule, though President Niyazov has been careful not to guarantee any departing Russians a right to return. Nonetheless, the Russian government has declared this a partial victory, and the Duma has turned its attention to the problems of absorbing such Russians as may seek to leave Turkmenistan.

The Turkmen-Russian commission will next meet in September or October – a long enough lapse for the nationalist fervor in the Duma to die down. The population in general is less fervid on the issue. A recent poll suggests that while a majority of Russians (56%) believe that their compatriots in Turkmenistan are suffering unjustly and 40% believe the government could do more to help them, only 5% support "firm" measures against Niyazov, 4% support economic sanctions, and a mere 2% support the use of force to address the problem. 17% want to solve the problem through diplomacy or appeals to international law. (INTERFAX, 1102 GMT, 10 Jul 03; FBIS-SOV-2003-0710 via World News Connection)

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