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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Russian Regions 1998: Year in Review

Economic Crisis Strengthens Governors

Patterns of Regional Development

St. Petersburg Assembly Begins Work, Torn by Partisanship

Vladivostok Battle of Mayors Ends, for Now

Soviet Era Party Chief Called To Manage Krasnoyarsk Economy

Lebed Attacks Former Ally

Yaroslavl Authorities Buy Favorable Media Coverage

Tver Business Leaders Back Governor

Center-Periphery Relations

Yaroslavl Governor Backs Appointing Regional Executives

Elections 1999/2000

Lebed's Opponents in Krasnoyarsk Join Luzhkov's Party

Luzhkov's Party Develops Rostov Branch

Yekaterinburg Mayor Backs Out of Luzhkov's Party

Gaidar Strives To Unite Tomsk Democrats

Local Government

High Court Backs Independence of Komi Local Governments
Ulyanovsk Court Rejects Unfunded Mandates

Social Issues

Chukotka Village Struggles Through Tough Winter

Regional Budgets

Tatarstan Adopts Unrealistic Budget

New Sales Tax Helps Balance Samara's 1999 Budget

Leningrad Oblast Legislators Reject Sales Tax

Foreign Ties

Volgograd Governor Chooses Belarus over Kazakhstan

BREAKING NEWS

POLITICS

GOVERNMENT OWES WAGES, PENSIONS. As of 1 December, the federal government owes 84.9 billion rubles in back wage payments, 30 billion rubles in pensions, and 24 billion rubles in children's benefits. To pay off the debts, the government is considering a variety of measures, including raising taxes on those in the labor force and cutting back support to some current recipients by focusing aid on the neediest. (*Kommersant Daily*, 23 December)

SAMARA GOVERNOR SETS UP POLITICAL COUNCIL TO OPPOSE MAYOR. Samara Mayor Georgii Limanskii has established a political council that brings together a variety of political organizations in the city, including the local Communists, Liberal Democratic Party of Russia, Lebed's Honor and Motherland, and the Federation of Trade Unions. Limanskii claims that the organization is going to work on addressing municipal problems. However, Yabloko has withdrawn, claiming that the group is too left-leaning. *Kommersant Daily* (23 December) claims that the mayor is trying to gather support among the leftist protest vote to counter the rightist policies of Governor Konstantin Titov. The region will hold its gubernatorial elections in 2000.

ECONOMICS

PRIMAKOV, REGIONS AGREE ON SPLITTING TAX INCOME. Prime Minister Yevgennii Primakov and the regional leaders agreed in late December to split tax revenue in such a way that the regions would receive 50.5 percent of all tax revenue collected locally, while the federal government would keep 49.5 percent. In the past, the division had been closer to 54:46 in favor of the federal government (*Nezavisimaya gazeta*, 25 December). Additionally, a conciliatory commission consisting of representatives from both houses of the legislature and the government determined that the federal government would spend 33.7 billion rubles, 14 percent of all tax revenue, in supporting the regions in 1999. Of the 89 regions, the 36 worst-off regions (such as Dagestan, Sakhalin, Kamchatka) would gain additional aid, while 36 better-off regions (including Tyumen and Nizhnii Novgorod) would receive less. Twelve regions would gain no

financial support from Moscow (*Financial Times*, 28 December)

YELTSIN CANCELS SAKHA GOLD DECREE. President Boris Yeltsin cancelled a decree issued by Sakha (Yakutiya) President Mikhail Nikolaev on 27 August 1998 that forced Sakha companies to give all the gold they mined on republican territory to the republican government (for Yeltsin's decree see <http://www.maindir.gov>, press release 1999-01-10-005). The gold could only be sold if the Sakha president approved the transaction. Yeltsin said that Nikolaev's decree contradicted federal legislation. Nikolaev issued the decree just after the beginning of the 17 August financial crisis. The decree was one of the regions' first attempts to use the crisis to increase their power in relation to Moscow (see *EWI Russian Regional Report*, 1 September 1998). Yeltsin's decree is clearly a move by the federal government to reassert some of the power it had lost because of the crisis.

LUZHKOV SEEKS REVENUES FROM GAMBLING. Moscow Mayor Yurii Luzhkov is hoping to boost the city's tax revenues by installing up to 10,000 slot machines in such public places as metro stations, train stations, supermarkets, and exhibition halls. Last year taxes on various gaming activities brought in more than \$100 million. (*Kommersant Daily*, 23 December)

RUSSIAN REGIONS 1998: YEAR IN REVIEW

ECONOMIC CRISIS STRENGTHENS GOVERNORS

by Natan Shklyar, EastWest Institute

Russia ended 1997 in the midst of a power struggle between the federal authorities and the regions. The driving force behind the battle was the 1996 institutional change mandating that regional executives be elected by their constituents rather than appointed by the president. The August 1998 economic crisis abruptly upset the precarious balance of power that was evolving from the tug-of-war between center and periphery, and at the end of the year, regional leaders emerged strengthened while the federal center was largely inactive. At the same time, no serious threats to the integrity of the federation materialized, separatism being an unsustainable policy for most regions, which still depend heavily on federal subsidies.

Elections Secure Republican Presidents, Remove Oblast Governors

Although Yeltsin and his associates debated the possibility of once again appointing governors, regional elections continued across the country. Incumbent leaders of ethnic republics who stood for re-election in 1998 were, with few exceptions, overwhelmingly re-elected. Ingushetiya's President Ruslan Aushev and Chuvashiya's Nikolai Fedorov won with strong majorities. Mordoviya's President Nikolai Merkushkin and Bashkortostan's President Murtaza Rakhimov won by banning key opponents from their races. In Bashkortostan, a ruling by the Russian Supreme Court reinstating opposition candidates was simply ignored. Dagestan's leader Magomedali Magomedov changed an ethnically balanced constitution to win a second

term, removing opposition candidates along the way. One key exception was in North Osetiya, where Aleksandr Dzasokhov defeated incumbent republican President Akhsarbek Galazov. And in Kareliya, Communist Prime Minister Viktor Stepanov lost to Petrozavodsk Mayor Sergei Katanandov.

Governors of the ethnic Russian regions had more difficulty at the polls, often falling to the mayors of regional capitals. On the same day Kareliya's Stepanov lost, Smolensk Mayor Aleksandr Prokhorov, backed by both local Communists and the presidential administration, unseated Governor Anatolii Glushenkov. Incumbents also fell in Lipetsk and Penza.

Perhaps the most watched gubernatorial race of the year took place in Krasnoyarsk Krai, where Aleksandr Lebed defied the polls and surged from behind on 17 May to defeat incumbent Governor Valerii Zubov. Lebed focused his campaign on the rural areas of the krai and enjoyed the support of magnate Boris Berezovskii and Anatolii Bykov, a Rossiiskii Kredit Bank vice president who chairs the Krasnoyarsk Aluminum Plant (KrAZ) Board of Directors and allegedly has ties to the criminal underworld. Lebed's victory set him on the path for presidential elections scheduled for June 2000.

Supporters of the incumbent governor won key legislative elections in regions like Orel, Volgograd, Chuvashiya, Nizhnii Novgorod, Rostov, Kalmykiya and Krasnodar. The Communist Party and other opposition groups did particularly well in the 1998 legislative elections, often changing the regional status quo. For example, Communists did well in Smolensk, Krasnoyarsk, Orel, Orenburg Omsk and Volgograd, but lost many seats in the Kemerovo and Chuvashiya legislatures, where they had once been strong.

Governor Eduard Rossel saw his support drop in the Sverdlovsk legislature, but he managed to maintain a slim majority despite gains by the Communists and the supporters of Yekaterinburg Mayor Arkadii Chernetskii, a Rossel rival. St. Petersburg's December elections resulted in a highly fractured city parliament that was strongly divided on its future relations with Governor Vladimir Yakovlev.

Regional Economies Weather the Crisis

Economically, the year can be divided into two periods, before and after the crisis that began on 17 August. While the economy appeared relatively good at the beginning of the year compared to what came later, there were already clear signs of trouble. Most regions began 1998 with mounting wage and pension arrears, and blamed the center for not transferring the money required to make the payments. The vast majority of the Russian regions remained heavily dependent on federal transfers, with only a handful actually contributing to the federal budget. Industrial giants, long overdue for restructuring, remained dormant across Russia, their employees not paid for months and no hope in the near future for procurement orders. Primorskii Krai, in the Russian Far East, suffered from chronic energy shortages, mostly because federal and regional agencies failed to pay their utility bills to the local power producer, Dalenergo. Slumping oil prices on the world markets severely undercut federal tax revenues and hurt regions such as Tatarstan, home to some major oil refineries.

The harsh economic conditions inspired people across the country to take to the streets, demanding payment of long-overdue salaries and pensions. Teachers, medical workers, nuclear

scientists and pensioners blocked traffic in regions as diverse as Chelyabinsk, Perm, Irkutsk and Nizhnii Novgorod. Coal miners from Sakhalin and Primorskii Krai to Kemerovo and Komi were especially active in May, blockading railways and causing millions of rubles in losses from delayed cargo and passenger trains, until the government appeased them with short-term federal handouts and promises of future payments. Protests were supposed to culminate in a nationwide trade union and Communist-sponsored rally on 7 October, but the actual turnout was poor and the action's impact meager.

When the crisis hit in full force on 17 August, the regions were less affected by it than Moscow, mostly because regional banks had very limited exposure to the GKO market. Governors had mixed reaction to the crisis, with some imposing price and export controls on essential goods while others stuck with market mechanisms. Prices for consumer goods began to rise drastically despite attempts to avoid that scenario. Administrative measures were generally ineffective and led to shortages of many goods, since suppliers chose not to sell them for artificially low prices. Price controls and export quotas were difficult to enforce, and many governors quietly abandoned them within a few weeks. Although a number of businesses closed, waiting for the situation to stabilize, some local producers and exporters benefited from a weaker ruble and the disappearance of imported goods from the domestic market.

The adverse effects of the crisis were compounded by the drought that plagued much of Central Russia and resulted in one of the worst harvests since the end of World War II. Fortunately, Russia still had about 20 million tons of crops stored from the phenomenally successful harvest of 1997. The residents of the Far North faced the winter with shortages of heating fuel and mounting wage arrears. Following the example of the center, many of the regions defaulted on the foreign and domestic debts, although the cities of Moscow and St. Petersburg remained solvent. Direct foreign investors, like ICN-Pharmaceuticals, generally cut back their operations but remained committed to the Russian market. Authorized by federal legislation, some regions introduced a new sales tax, thus raising hopes of higher revenue in 1999.

Federal Authority Wanes

Yeltsin's chronic poor health, a weak presidential administration, frequent government reshuffles and the economic crisis made it difficult for the Kremlin to define and enforce a coherent policy toward the regions. With hopes of bringing regional separatism to heel, the Kremlin started the year with the presidential administration threatening to scrutinize all regional laws to determine whether they complied with federal legislation. The Ministry of Justice estimated that between one-third and one-half of all regional laws were unconstitutional. Meanwhile, the center continued signing legally questionable power-sharing agreements with regions, bringing the total number of agreements to 46 of the 89 regions (the last was a treaty with the city of Moscow signed 16 June). The ethnic republics generally favored the use of such bilateral treaties because they gained significant concessions from Moscow, but several leaders of the ethnically Russian oblasts objected to them, calling for a consistent federal policy toward all regions.

The presidential administration, which had once monopolized regional policy, yielded control over this issue to the government. After Yeltsin appointed Viktoriya Mitina in

November 1997 to be his regional policy aide, the Kremlin's grip on the regions weakened. She was not able to keep assertive regions in line and the election of a former convict as Nizhnii Novgorod mayor, as well as Lebed's victory in Krasnoyarsk, were the last straws before she was fired in May. A former KGB officer, Vladimir Putin, replaced Mitina and took a much more hard-line approach toward delinquent regions. His staff collected meticulous information on how governors spent federal subsidies. However, Yeltsin transferred Putin to head the Federal Security Service in July, and Yeltsin again appointed a weak aide, Oleg Sysuev, to run regional policy. A former mayor of Samara and deputy prime minister in the Chernomyrdin and Kirienko governments, Sysuev openly admitted in October that the Kremlin had transferred responsibility for regions to the White House. Although there was some talk in Moscow about reducing the number of regions from 89 to as few as eight to make the federation more manageable, this idea never came close to implementation.

Fiscal federalism remained the focal point of center-periphery relations, as Moscow and the regions battled over tax revenue allocation. It became common for regions to complain that the center never transferred promised subsidies for wage and pension payments, and for Moscow to counter that the money had been sent long ago. Moscow tried to keep tight control over how governors spent federal subsidies, for instance when it prevented Sverdlovsk from creating its own regional bank with federal money. Due to the poor transparency of fiscal transfers, however, many governors managed to use funds for purposes other than those outlined in the federal conditions attached to grants. To address this problem, the Kirienko government began signing special treaties with regions requiring them to comply with federal standards in revenue allocation, tax collection and debt restructuring in exchange for access to further federal subsidies. Chelyabinsk and Khakasiya signed such agreements, making their relations with the center more transparent, whereas St. Petersburg, Perm and Krasnoyarsk refused to comply. The effort apparently was abandoned after Kirienko's removal.

In an attempt to keep unruly leaders in line, Moscow flexed its law enforcement muscle by cracking down on corruption among regional officials. In Tula, Vologda, Kemerovo and Vladimir oblasts former governors were prosecuted on various charges of bribery, embezzlement or abuse of power. Federal agents also arrested current deputy governors in Tver, Voronezh and Kursk oblasts on charges ranging from bribery to embezzlement to improper conduct. Regional auditors also found that public funds had been used improperly in Nizhnii Novgorod and Leningrad oblasts. Finally, a special team of federal agents conducted a thorough investigation of corruption and crime in the highest echelons of Dagestan after armed groups temporarily took control of the republican administration building on 21 May.

Governors Grow Stronger, Face Domestic Challenges

With Moscow so weak, the governors gained considerable leverage. For instance, Kemerovo's Aman Tuleev used miners' strikes to force more subsidies and autonomy out of Moscow while Sakha (Yakutiya) sought to secure its gold reserves independent of Moscow. Ethnic republics relied on nationalist and separatist threats to assert their authority, as in the case of Tatarstan's citizenship law passed on 16 April. This legislation permitted residents to be citizens of Tatarstan without being citizens of Russia. Except for Chechnya's on-going independence campaign, the

only outright separatist threat came from Kirsan Ilyumzhinov, the eccentric president of Kalmykiya, who announced in November that he would declare his republic an associate member of the Russian Federation if the center did not fulfill its financial obligations. Ilyumzhinov retracted his threat, however, as soon as Moscow reprimanded him. Nizhnii Novgorod defied the Constitutional Court's authority in February by directing local companies to pay salaries before paying taxes, directly contradicting an earlier ruling. Also, Moscow Mayor Yurii Luzhkov ignored the court's decision to outlaw residential registration requirements. Finally, the economic crisis challenged the loyalties of local military commanders, who found their ill-fed and poorly clad troops increasingly dependent on regional authorities for supplies and infrastructure.

Chechnya remained a unique case. Separatists held Yeltsin's envoy to the region, Valentin Vlasov, hostage for six months before releasing him. Vlasov's predicament only highlighted Chechen President Aslan Maskhadov's waning influence in the region as several field commanders, backed by thousands of armed troops, opposed him for not taking a hard enough line against Moscow. Although Maskhadov backs Chechen independence, Moscow considered him a more reliable negotiating partner. As the republic's problems only grew worse, Moscow seemed even more inclined to accept Chechnya's de facto withdrawal from the Russian Federation and maintained heavy fortification's along Chechnya's borders. Federal promises to rebuild the Chechen economy were not realized.

One of the most significant methods of power consolidation for regional governors was acquisition of partial regional ownership in various enterprises. In some cases, like Sverdlovsk and St. Petersburg, the governor offered banks tax breaks as well as licenses to operate with the regional budget funds in exchange for a controlling stake in the bank's stock. (The success of such plans has yet to be demonstrated.) Rostov Oblast gained control of Rostselmash, a giant producer of agricultural machinery, while Bashkortostan created a state-run monopoly in the revenue-generating energy sector. Samara's governor, in contrast, persuaded the federal center to transfer ownership of several large enterprises to the oblast in exchange for forgiving federal debt to the region. Nizhnii Novogord did the same, taking advantage of the chaos surrounding the financial crisis. Perhaps the biggest coup for regional leaders was Yeltsin's decision to transfer 33 percent of the ownership of Unified Energy System (UES), the electric power grid monopoly, to regional governments. This move greatly inhibited the company's ability to collect debts for power usage from delinquent regional governments and enterprises as well as its capacity to institute higher electricity rates.

The August financial crisis and resulting governing paralysis in the center presented regional leaders with vast opportunities to strengthen their positions. Indeed, the so-called "oligarchs" were badly battered by the collapse of their financial empires, which were heavily tied to the government's GKO pyramid scheme. Similarly, oil and gas barons have been weakened by the slumping prices on international markets. On the other hand, regional governors have secured greater federal concessions and pocketed many regional banks and industrial enterprises.

Moscow's new prime ministers clearly recognized the growing importance of the regional leaders, but most governors rejected federal overtures to join the cabinet. In Primakov's government only Vadim Gustov, governor of Leningrad Oblast, gave up his elected

seat to become first deputy prime minister in charge of regions, CIS and youth affairs. Primakov also invited leaders of the eight regional associations into the presidium, or inner circle, of the cabinet of ministers, theoretically allowing them to participate in the highest level of policy making. The inclusion of the governors in the presidium gave them little additional power, however.

Although regional leaders signed a number of bilateral treaties with other regions, the governors have failed to act as a united front in their dealings with Moscow. Consequently, they did not capitalize on their growing power potential as an elite group. Federation Council meetings showed that governors see themselves first as lobbyists for their particular region, and only then as senators. Tomsk Oblast Governor Viktor Kress, who heads the Siberian Accord regional association of 19 republics, krais and oblasts, said that the association's member regions cannot focus solely on economics because their interests are too divergent.

Regional Leaders Look Toward Presidential Elections

With Yeltsin's authority waning and presidential elections approaching in 2000, Luzhkov and Lebed led the charge among governors in the race to win the presidency. Although the crisis considerably battered the city of Moscow's fortunes, Luzhkov was still planning to ride on his reputation as a successful administrator who presided over the economic rebirth of the city. Of course, his major disadvantage was the traditional resentment felt in the provinces against the capital. To promote his candidacy in the regions, Luzhkov founded the Otechestvo (Fatherland) political movement on 19 December and spent a good part of the latter half of 1998 establishing a presence in almost every region.

As Luzhkov's campaigning intensifies and his influence spreads throughout Russia, many mid-level regional officials begin to view Otechestvo as the new "party of power." This perception has brought many regional leaders into Luzhkov's orbit. A large number of governors attended the party's 19 November preliminary organizational conference. Governor Ivan Sklyarov of Nizhnii Novgorod has openly backed Luzhkov's candidacy, and in Irkutsk a vice governor chairs the local Otechestvo branch. In Samara, Voronezh and Tver local politicians, businessmen and journalists are competing for power positions within the new party, which they hope will promote their political ambitions should Luzhkov win the presidency.

Lebed has had greater difficulty turning his governorship into a presidential launch pad. By the end of the year his popularity in Krasnoyarsk was rapidly declining. Most local residents grew resentful of Lebed's frequent absences and his reliance on Muscovites to run the krai's affairs. Most importantly, Lebed had a falling out with his powerful supporter Bykov, who openly said that backing the general was a mistake because he is simply using the region as a stepping stone for his presidential ambitions. Lebed's Honor and Motherland movement and the Popular-Republican Party have failed to develop effective regional networks, and Lebed himself has not been successful in mastering the support of other regional leaders, even in Siberia.

Regions Seek Foreign Ties

Foreign policy and international trade were areas of both contention and compromise for the

Kremlin and the regions in 1998. Governors were very bold in making foreign policy pronouncements. When rumors began circulating that Yeltsin might transfer the Kuril Islands to Japan in order to normalize relations between the two countries, the governors of Sakhalin Oblast and Primorskii Krai vocally defended the islands as traditionally Russian territory. Saratov's Governor Ayatskov said he would unilaterally close the oblast's border with Kazakhstan to halt the illegal flow of alcohol, arms and narcotics. Ayatskov also visited Ukraine in July and November to sign trade agreements and develop an economic basis for increasing Russian influence in Ukraine.

Sometimes the foreign activities of Russian regions touched on sensitive international issues and went directly against Moscow's policy line. In particular, some regions developed trade ties to Georgia's rebellious province of Abkhaziya and some sent representatives to a conference that recognized the Turkish policy on Cyprus. Dagestani residents clashed with their neighbors across the Azerbaijani border.

Driven by the desire to keep regional foreign activities limited to economics, the Russian Ministry of Foreign Affairs created a special department to coordinate the regions' foreign policies. Moscow and Irkutsk, however, clashed over how to share power and profits from potentially lucrative energy export deals to China. Unfortunately, foreign direct investment in the regions dropped from about \$4 billion in 1997 to only \$2 billion in 1998.

Foreign leaders sometimes sought to avoid Moscow by appealing directly to the regions. Belarus President Alyaksandr Lukashenka worked hard to develop bilateral relations with Russian regions where the governors opposed Yeltsin. He visited Primorskii Krai and Murmansk Oblast, and the governors of Orenburg, Krasnodar, Tula, Yaroslavl, Stavropol, Kostroma and Vladimir visited him in Minsk. Although the Kremlin does not like Lukashenka's active networking in the regions, Belarus has signed agreements with 55 regions.

Overall the governors gained increasing authority in their newly elected positions during 1998. Throughout the year, it became evident that in addition to its enormous economic problems, Russia has yet to establish an effective federal structure. Yet the weakness of individual regions and Moscow's capacity to redistribute revenue among them suggest that the overall integrity of the Russian Federation is not in danger. At the same time, debates about the number of regions in the federation, whether regional executives should be elected or appointed and whether bilateral treaties are acceptable suggest that the very structure of federal relations will continue to change.

PATTERNS OF REGIONAL DEVELOPMENT

ST. PETERSBURG ASSEMBLY BEGINS WORK, TORN BY PARTISANSHIP

by Lyudmila Bogomolova,

ST. PETERSBURG--After the second round of elections on 20 December, the new St. Petersburg Legislative Assembly has set down to work. Of the 50-member house, 26 deputies won reelection. They set the tone for the first sessions, as they tried to establish new procedures

and structure for the assembly. Still, many questions remain unanswered: how effectively will an extremely politicized parliament work, and who will be the speaker? The prime contenders for speaker are A. Kramarev, A. Krivenchenko, and former speaker Sergei Mironov. Given the assembly's partisan division, one can expect a long period of political negotiations.

Five factions have been organized and registered. Officially there are only four independents in the body, much fewer than in the previous assembly. The five blocs in the legislature break down along the following lines:

Bloc of Yurii Boldyrev - 12

Yabloko - 8

St. Petersburg Raions - 18

Center - 5

Industry - 3

Independents - 4

Yurii Boldyrev's bloc and the supporters of Governor Vladimir Yakovlev (generally in the St. Petersburg Raions bloc) had the greatest success in the second round. Yabloko only managed to get 8 seats in the second round, a relative failure compared to the 23 party candidates who made it past the first round.

The position of Yabloko's national leadership remains unclear. Party leader Grigorii Yavlinskii reacted positively to his party's moderate success at the polls, stating that it could have done better, but the euphoria of the first round had a bad effect on the Yabloko electorate and candidates. Such statements are surprising, since many Yabloko representatives remarked to the press shortly after the first round that they were concerned about the strong campaign against them. However, Yabloko candidates did not respond to their competitors' attacks. Moreover, it is odd for a leading political party like Yabloko not to secure a significant portion of legislative seats. Yavlinskii is doubtful about possible cooperation with Boldyrev. He stated, "Boldyrev has a distorted concept of reality, but it is possible to work with a few of his candidates." Herein lie the roots for a potential conflict.

Boldyrev's bloc managed to elect 15 people to the assembly. However, the bloc's unity has already shattered and 3 of the members left to set up the Industry faction. The majority of Boldyrev's supporters are people who are united only by the city's most successful political brand name. Although as a bloc they have capitalized on the popular anti-crime feelings which propelled them to victory, Boldyrev's assembly members do not make a coherent team. Boldyrev is likely to make his real goals public very soon. There seems to be two obvious choices for the bloc leader: either a return to regional politics with the goal of establishing a base for the gubernatorial campaign in 2000, or coordinating his bloc from Moscow.

Boldyrev will encounter a number of logistical problems in building up his party. First, how can a leader gather supporters without holding an official political post himself? What is the bloc's program? Boldyrev's bloc was spontaneously organized around his persona, and so far nobody has voiced a coherent platform beyond vague calls to fight corruption and apply laws. That the bloc has already split will undoubtedly hurt Boldyrev's reputation. There is also the danger of Boldyrev's assembly members colluding with representatives of other factions, primarily Yabloko. This would also be unfortunate for Boldyrev, who is legitimately afraid that Yabloko will try to break up his bloc.

The success of the governor's supporters will surely influence Yurii Boldyrev's future chances of succeeding Yakovlev. The speculations of many local newspapers that Yakovlev's people have regained what it lost in the first round on 6 December seem far-fetched. The pro-governor faction St. Petersburg Raions, which unites Viktor Novoselov's faction of the same name and K. Sevenardo's leftist People's Power faction, will be most numerous in the assembly. Potentially, it could block any attempt by the legislature to override a governor's veto.

Overall, there has been no radical change in the composition of the St. Petersburg political elite. It remains to be seen whether old political players will adopt new political priorities.

VLADIVOSTOK BATTLE OF MAYORS ENDS, FOR NOW. The drawn-out standoff over the control of the Vladivostok mayor's office ended at the end of last year. A police detachment forced its way into the mayor's office building and removed supporters of former Mayor Viktor Cherepkov, allowing Acting Mayor Yurii Kopylov, appointed by Governor Yevgenii Nazdratenko, to take control of the offices. The police avoided bloodshed, even though Cherepkov's deputy Nikolai Markovtsev was briefly handcuffed for "disobeying police officers," and Cherepkov's defenders, mostly pensioners, were carried out of the building.

As Cherepkov had predicted, the new mayoral elections set for 17 January probably will not take place. One of the local courts ruled a week before the vote that holding mayoral elections was illegal until the city elects a дума and adopts its charter. At the same time, many cities in Primorskii Krai and Russia as a whole have elected mayors without either a charter or a local council. The city electoral commission has appealed the court ruling, arguing that the judge ignored the fact that the Vladivostok city Soviet in 1991 adopted a law on the popular election of the mayor. That law has not been overturned. However, as the newspaper *Vladivostok* pointed out, even if the appeal is approved by the court, it will have little bearing on the elections.

The Central Electoral Commission in Moscow held a special hearing on 13 September 1998 to discuss the Vladivostok situation. The commission unanimously decided that before a mayor is elected, the city needs to elect a дума which could then decide how to elect the executive. So, Cherepkov's opponents have every reason to gloat: the mayoral elections, which would have resulted in Cherepkov's victory, are not taking place. The дума elections are not likely to happen either, because the disgruntled electorate will not turnout in large enough numbers to make the vote binding. At least 25 percent of eligible voters must turn out at the polls to make the elections legitimate. And Kopylov, the krais' puppet mayor, will remain in power for an indefinite period of time.

One of the candidates for mayor's post has started a grass-roots initiative to hold a popular referendum to let Vladivostok residents decide how to elect their mayor, by direct vote or from the city дума. Meanwhile, Kopylov's team is frantically looking through the city records for compromising materials on Cherepkov, hoping to put him on trial. - Yevgenii Popravko in Vladivostok

SOVIET ERA PARTY CHIEF CALLED TO MANAGE KRASNOYARSK ECONOMY. Much to the surprise of Krasnoyarsk residents, Chairman of Krasnoyarsk Aluminum Plant (KrAZ) Board of Directors and Legislative Assembly deputy Anatolii Bykov

announced on TV that he had reached an agreement with Governor Aleksandr Lebed and the legislature on forming the new government for the region on 7 January. Bykov proposed Pavel Fedirko for the post of prime minister. Fedirko was a krai Communist boss in the Soviet era, before he moved on to a higher position in Moscow right before perestroika. According to Bykov, Fedirko's candidacy was endorsed by high-placed alumni of Krasnoyarsk Krai in Moscow. At the same time, Bykov has secured the blessings of the krai Communist leadership, who still revere Fedirko as a leader symbolizing stability and prosperity in the region. Clearly, it helped that Fedirko was a mentor to virtually the entire Communist Party leadership in the krai.

Indeed, Fedirko compares favorably to other rulers of Krasnoyarsk Krai over the last decade. During his tenure the region steadily progressed and some of the krai's most notable administrative, residential and cultural buildings were constructed. The economy boomed as the krai's industry expanded with new plants and the local military industrial complex modernized its facilities and began turning out new products. Fedirko knows both the region and its people very well, and has maintained active contacts with many local industrial managers. Bykov admitted that "youngsters like myself can learn a lot from him. He still retains a sharp mind and sound memory. Let the politicians (i.e. Lebed) do their business, and have professionals manage the economy." If Fedirko does indeed take over the krai government, Bykov will have further strengthened his standing in regional politics. - Pavel Avramov in Krasnoyarsk

LEBED ATTACKS FORMER ALLY. In late December Governor Aleksandr Lebed instructed law enforcement agencies to reinstate Gleb Fetisov as the external manager of Achinsk Alumina Combine (AGK). Last July the Krasnoyarsk Arbitration Court removed Fetisov, a representative of Alfa Group, as the company's external manager. Lebed appointed Nail Nasyrov, a man backed by the Krasnoyarsk Aluminum Plant (KrAZ), in his place (see *EWI Russian Regional Report*, 6 August 1998). At the time Lebed was on good terms with KrAZ chairman Anatolii Bykov, who had backed Lebed's election bid. Since then, however, Lebed and Bykov had a major falling out over the governor's ruling style. Alleged to have criminal connections, Bykov has been promising to "take down" the governor. So, in December when the Irkutsk Arbitration Court overturned the previous court ruling on appeal from Alfa, Lebed issued a decree reinstating Fetisov in his former post.

Spokespeople for both KrAZ and AGK said that by doing so the governor has exceeded his authority, since only a higher court can rule on a lower court ruling. The current management of AGK has posted armed guards outside its office, expecting a siege by law enforcement officials. Nasyrov made major improvements at the enterprise during his tenure. Before he took over, AGK operated at only 15 percent to 20 percent capacity, the production process had become chaotic and equipment was collapsing throughout the plant. Nasyrov paid off many of the company's debts, including a half-year of workers' salaries and a sizable portion of tax debts to the city and krai budgets. Additionally, the company has hired 500 more workers. - Pavel Avramov in Krasnoyarsk

YAROSLAVL AUTHORITIES BUY FAVORABLE MEDIA COVERAGE. Judged by the latest articles in Yaroslavl newspapers, recent investigations have found no violations in the conduct of the oblast administration. However, oblast Duma Deputy Aleksandr Tsvetkov told

the newspaper *Yaroslavskaya nedelya* (18 December) that the Duma has obtained some interesting statistics from the Yaroslavl division of the Finance Ministry inspection department. These documents show that in the last several years the oblast administration has been subsidizing local newspapers' "coverage of government activities." The 94,000 rubles of public funds received by *Komsomolskaya pravda* for opening an office in the city, however, were used to buy an apartment for one of the newspaper's employees. The oblast procurator denounced that action and instructed the finance department to take the money back. Below is a table of other subsidies received by some local media outfits from the oblast budget:

<i>Zolotoe koltso</i>	224,000 rubles
<i>Severnyi krai</i>	335,000 rubles
<i>Yunost</i>	593,000 rubles
Tsentr TV	529,000 rubles
Yaroslaviya TV station	196,000 rubles
<i>Rybinskoe podvorye</i>	123,000 rubles
<i>Gubernskie vesti</i>	620,000 rubles

Such generosity seems especially peculiar because oblast authorities are still unable to pay teachers' salaries and pensions. - Ilya Kravchenko in Yaroslavl

TVER BUSINESS LEADERS BACK GOVERNOR. On 15 December, the Tver Oblast Union of Businessmen held its founding congress in Tver. As a part of the administration's effort to broaden its base of popular support, the organization will be a political movement that will focus on economics as well as on strategic issues in the region's political development. Both Governor Vladimir Platov and Vice Governor Yurii Krasnov attended the founding congress. Krasnov described the creation of the union as a "historic moment" in Tver's development. (*Veche Tveri*, 17 December)

In his keynote address, Platov told the congress that the organization was created in order to consolidate all the healthy political forces in the region during the current crisis environment. The crisis has had a negative effect on Tver's economy, Platov said. Prior to the crisis the oblast's timber and timber processing industries were starting to recover, and the region was registering a small but steady growth in industrial output. The governor sharply criticized federal policy for placing an unbearable tax burden on producers and for creating a gap between the financial system and the real industry sector. As of 1 November, Tver Oblast still had not received 1 billion rubles in taxes, due to the financial crisis.

Eager to support local producers, the oblast administration granted them a holiday on property taxes as well as favorable investment conditions, and rescheduled payment of their tax debts to the oblast budget. The governor estimated that as a result, production stopped falling at over 50 percent of the oblast's enterprises. Platov still wants to implement a new form of fiscal relations with Moscow. According to the scheme, the oblast would be obliged to pay the federal center a specified amount of money, but it would be free to determine how it would collect its revenue. This new system would give the administration flexibility in determining

which enterprises it collected taxes from and when.

The founding congress voted on a list of recommendations for developing the goods production sector of the economy. They include reforming the tax system, restructuring enterprises' tax debts, price controls for natural monopolies, expansion of state procurement orders, cracking down on the inappropriate use of federal subsidies, and social security measures. Additionally, the congress approved a management structure for the new organization. The hierarchy will include a 60-member board of directors, while a president and a vice president will oversee daily affairs. On 18 December, Governor Platov was elected president of the union, a position he will clearly use to consolidate his support and strengthen his prospects for re-election. - Boris Goubman in Tver

CENTER-PERIPHERY RELATIONS

YAROSLAVL GOVERNOR BACKS APPOINTING REGIONAL EXECUTIVES.

On 24 December Yaroslavl Oblast Governor Anatolii Lisitsyn said that he believes it is wrong to hold gubernatorial elections when the economy is falling apart. Only when a governor is appointed, Lisitsyn argued, is it possible to keep him accountable for his actions, securing the integrity of the state hierarchy.

Yaroslavl has become a model for other regions because it only has a five week delay in paying wages to public sector employees. Prime Minister Yevgenii Primakov asked Lisitsyn to explain the basis for his success. The governor said that the root of the current problems lies in the fact that many regions collect only half of their taxes, and then use only 20-25 percent of their real money income toward salaries. In contrast, Yaroslavl Oblast collects 80 percent of its taxes, and uses 50-60 percent of its real money income toward public sector salaries. - Anton Marvin in Yaroslavl

ELECTIONS 1999/2000

LEBED'S OPPONENTS IN KRASNOYARSK JOIN LUZHKOVA'S PARTY.

A delegation from Krasnoyarsk took part in the founding congress of Moscow Mayor Yurii Luzhkov's movement Otechestvo in Moscow on 19 December. Vyacheslav Novikov, a former chairman of the krai Soviet, and Valerii Revkuts, a former Communist party functionary in the krai and now director general of Vozrozhdenie-kredit insurance company, led the group. Novikov was elected to the movement's political council. Unlike most regional branches of Otechestvo, the Krasnoyarsk chapter does not enjoy the governor's support. The main reason is that Yurii Luzhkov is Governor Aleksandr Lebed's leading rival in the upcoming presidential elections. The makeup of the delegation was quite telling: it included exclusively political opponents of the governor in the krai. - Pavel Avramov in Krasnoyarsk

LUZHKOVA'S PARTY DEVELOPS ROSTOV BRANCH. Like elsewhere in the Russian regions, Luzhkov's party established a regional branch in Rostov Oblast well before its founding congress on 19 December 1998 in Moscow. For example, Luzhkov's supporters in Volgograd set up a local branch on 6 November. It is headed by one of Mayor S.

Gorbunov's staunch opponents, M. Vinogradov, a member of the previous mayor's team. The oblast branch held its founding conference on 4 December in Rostov-na-Donu. It was attended by oblast legislators and local council members, as well as directors of enterprises, secondary schools and various middle-level bureaucrats. Member of the oblast Legislative Assembly V. Kolesnikov was elected chairman of the branch, and one of the raion heads, A. Dykan, became his deputy.

Some local newspapers draw parallels between Otechestvo and the former "party of power," Our Home is Russia (NDR), set up by Viktor Chernomyrdin in the spring of 1995. Despite Luzhkov's vast charisma and administrative capacities, the media still predicts that Otechestvo will be hard pressed to gain wide political support. Indeed, the more traditional parties, including the Communists, Yabloko, and Lebed supporters, have already tapped the region's electoral potential. However, because the new movement is driven largely by middle-level bureaucrats, motivated not by ideology or political ambitions, but rather by material gain, there is a good chance that Otechestvo could create a powerful electoral machine in Rostov Oblast. One incentive for the oblast to help Luzhkov win is the promise of investments from Moscow bankers, who are likely to invest their enormous resources wherever their mayor directs. Cities like Volgograd, with dormant large industrial enterprises, could use an influx of capital from Moscow.

Krasnoyarsk Krai Governor Aleksandr Lebed will be Luzhkov's main competitor in the oblast. Like the Moscow mayor, Lebed is extremely charismatic and commands the vast material resources of his region, which could also translate into financial infusions into regions that back him. His representatives are scouting the city right now. Meanwhile, the city administration is trying to sit on all three chairs, because it has delegated officials simultaneously to Luzhkov's, Lebed's and the Communists' movements (based on reports in *Volgodonskaya pravda; Gorod N*). - Milana Slinko in Volgograd

YEKATERINBURG MAYOR BACKS OUT OF LUZHKOVA PARTY. The question regarding who will head the Urals branch of Moscow Mayor Yurii Luzhkov's Otechestvo (Fatherland) political movement (see *EWI Russian Regional Report*, 3 December 1998) seems to have been simplified, if not solved. Yekaterinburg mayor Arkadii Chernetskii has decided not to seek a leading role in the mayor's party. Although Chernetskii had participated in Otechestvo's founding congress, he announced that he will limit his involvement to simple cooperation and thus does not plan to engage in the movement's leadership.

This was to be expected. Chernetskii's political interests are limited to Sverdlovsk Oblast, and therefore Otechestvo is not particularly useful for advancing his ambitions. A better tool for promoting Chernetskii's standing in regional politics has been local structures, such as the mayor's own party Our Home-Our City, which did well in the oblast's 1998 legislative elections. A party alliance with Luzhkov would have tempted Chernetskii more if the Moscow mayor had approached only him, and not other political leaders in the region. Luzhkov prefers not to place all his eggs in one basket and has therefore tried to attract several influential individuals, from Director of the Gornozavodskii Ural enterprise Valerii Trushnikov to Governor Eduard Rossel, the mayor's rival. This strategy lowers the value of an alliance for Chernetskii.

Additionally, Luzhkov and Chernetskii came into conflict last month when Otechestvo

announced that it would prevent its regional partners from participating autonomously in regional elections. Chernetskii rejected these limits on his ability to call the shots on his home turf. - Natalia Mints in Yekaterinburg

GAIDAR STRIVES TO UNITE TOMSK DEMOCRATS. On 25 December 1998 Russia's Democratic Choice leader Yegor Gaidar visited Tomsk to create a regional branch of the right-center democratic coalition Gaidar is trying to establish nationwide. According to Gaidar, the only way for Russia to work through its current problems is for all democratic forces to unite into a single coalition. While in Tomsk, Gaidar met with oblast Governor Viktor Kress, attended an academic conference, and spent time with the Tomsk leaders of Russia's Democratic Choice. Kress and Gaidar spent an hour discussing Tomsk's social and economic situation and the problems surrounding center-periphery budgetary relations. Gaidar also gave a lecture to the students at Tomsk State University, where he had spoken four years ago. According to Gaidar, Russia is stuck somewhere between socialism, many of whose elements remain in place, and capitalism, which Russia is still unable to reach. His chief prescription for surviving the crisis is "Remain calm!" - Andrei Bondarenko in Tomsk

LOCAL GOVERNMENT

HIGH COURT BACKS INDEPENDENCE OF KOMI LOCAL GOVERNMENTS. Establishment of local governments in the Komi Republic has been a long, drawn-out process, largely because the republican leadership is trying to place nascent local governments under its direct control instead of making them accountable to the public. A December decision by the Russian Supreme Court upheld the 2 November 1998 ruling of the Komi Supreme Court, which declared several provisions of the republican law on local government unconstitutional. When the draft law was still under consideration, several articles were controversial because they stipulated that the republican chief executive had the sole power to nominate candidates for the posts of heads of local administrations. After that, local councils would have to vote on the proposed list of handpicked candidates and the entire system would virtually revert to the previous practice of appointing mayors, which stripped the public of any say in selecting their local leaders.

Numerous political parties, parliamentarians, journalists and lawyers believe this policy interferes with the people's constitutional right to elect their local government and to run for office. The republican procurator appealed to the Komi Supreme Court, which subsequently found that the law contradicted the Russian Constitution and the federal law on local government. In response, Komi's Chief Executive Yurii Spiridonov appealed to the federal Supreme Court, but that body promptly upheld the republican court's ruling. Because the Supreme Court ruling is final, the republican legislature will now have to amend the law.

Municipal council elections are scheduled for 7 February, and the new bodies will have to revise their individual charters to reflect the court's ruling in their procedures for selecting local chief executives. According to the federal law, a mayor can be elected either directly by the voters or by the local council. It is still unclear whether the republican chief executive retains the right to nominate any candidates for mayor. Both the federal and the republican constitutions

prohibit federal or regional authorities from interfering in local government affairs. Some experts believe that the Supreme Court has elevated the status of local council members (*Krasnoe znamya*, 8 January). This latest development has not put an end to the battle over local government in the Komi Republic. - Yuri Shabaev in Syktyvkar

ULYANOVSK COURT REJECTS UNFUNDED MANDATES. At the end of 1998, the Ulyanovsk Oblast court struck down the 1998 oblast budget article that required municipalities to pay monthly child support allowances (see *EWI Russian Regional Report*, 17 September 1998). The budget adopted by the oblast legislature was contested in court by the Ulyanovsk city Duma on the grounds that the article in question contradicted a number of federal statutes, including the Constitution. Federal regulations stipulate that although cities and raions can be delegated responsibilities by federal and regional authorities, in each instance the higher-level authorities must provide their subordinates with the necessary funding. The child support allowance program is financed by restricted federal grants to the regions. Consequently, the oblast could not simply transfer the responsibility for the program to municipalities without giving them the money necessary to fund such programs.

The city of Ulyanovsk received only 5.3 million rubles from the oblast fund for support of municipalities in 1998, whereas servicing the child support allowance program required at least 64 million rubles. No evidence of a matching transfer to the city was presented to the court. Although the case was seemingly simple, Judge Ludmila Pishchugina made a brave decision by ruling in favor of the city. Past court rulings in Ulyanovsk consistently required the city to make the child support payments.

This ruling has several important ramifications. First, it will allow the city to demand that courts reconsider previous cases in which Ulyanovsk was found liable for child support. Second, lower-level courts will not be able to force the city to pay in cases like this, since a higher court has established that the city is not responsible. Third, the city can now demand reimbursement from the oblast for all the payments it had had to make on the claims. Fourth, oblast legislators will be much more cautious in the future not to delegate government responsibilities to municipalities. Finally, solving this case in court has laid an important precedent for resolution of disputes between different levels of government. Now every municipality in the oblast can go to court to protect the integrity of its budget. It is not likely that the oblast assembly will appeal the ruling, because in the past the Russian Supreme Court has sided with municipalities in similar cases. - Sergei Gogin in Ulyanovsk

SOCIAL ISSUES

CHUKOTKA VILLAGE STRUGGLES THROUGH TOUGH WINTER. Residents of the village of Neshkan (on the northern coast of the Chukotka Autonomous Okrug) are suffering from all the same problems as the rest of the country, as well as from the tough winter conditions of the Russian Far North. But villagers have adopted a number of creative coping strategies to survive the crisis, says Neshkan Mayor Gennadii Sidorov..

Heating is one of the main problems. During the summer the village made sure that it had enough coal to last through the winter, and coal was distributed to individual consumers,

who will pay for the fuel with money they are supposed to receive from the regional administration. Fuel oil was scheduled to arrive before the winter, and the village even prepared storage facilities and a pipeline for distribution, but the tanker never came. Thus, Neshkan residents must endure regular power shortages. The only hope is that a neighboring village will share its own reserves of fuel oil until the harbors clear in the spring. Housing officials did their best to prepare residential buildings for the winter. They made some infrastructure repairs, although there were no resources or trained personnel to fix the outdated electric power grid.

People have not seen cash in ages. Most public sector employees receive food coupons for local stores in lieu of salaries. Pensioners are doing better than the rest of the population since they are generally paid in cash. Delays only occur when helicopters cannot fly into the region. Employees of the local sovkhoz are in the worst shape, because they are almost never paid in cash, only child support payments. More important than the lack of money is the lack of food. Food products imported last summer have run out and today one can buy only bread, sugar and flour in the stores, but not grains or baby food. Recently, a trading company brought in some food products, which the villagers immediately snapped up, despite high prices. Potatoes cost 19 rubles per kilogram, whereas elsewhere in the region the price is only 10 rubles.

Villagers use a number of methods to overcome the shortages of food and money. Some go berry-picking, hunting and fishing. On one occasion, the locals killed a whale. Walrus meat makes great meat-loafs. Soon the sovkhoz will begin slaughtering reindeer and selling venison and walrus meats to local organizations, which can only pay in barter. Several families have turned outbuildings into greenhouses and are growing their own cucumbers, tomatoes, radishes and greens. The single remaining milk-cow from a formerly sizable herd has been adopted by local authorities to produce milk for the babies. Anyone who supplies grass to feed the cow can buy her milk. - Vladimir Rinteimit in Neshkana, Chukotka

REGIONAL BUDGETS

TATARSTAN ADOPTS UNREALISTIC BUDGET. At the end of December 1998 Tatarstan's State Council adopted a budget for 1999. The budget is unrealistic in a variety of ways. First, it is not based on real revenue. Legislators assumed that Tatarstan can collect more tax revenue in 1999 than it was able to in 1998. However, it is well known that only 51 percent of taxes were collected in 1998. There is little point in planning for more budget revenue if it is not going to be collected.

Second, the adopted budget does not take into consideration the tax policy changes planned by the federal government. The State Duma is currently considering these as it works toward the adoption of the 1999 federal budget. If these tax laws are adopted, many sections of the Tatarstan budget will need to be altered.

Third, the budget is based on the premise that budgetary relations between Moscow and Kazan will be conducted in accordance with the February 1994 power-sharing agreement. This agreement provided Tatarstan with a series of privileges not available to other Russian regions. Yet, this five-year agreement expires in February 1999. In spite of all the efforts exerted by the government of Tatarstan to prolong the agreement, the federal government, and

particularly the Ministry of Finance, is categorically opposed to its extension.

Finally, the 1999 federal budget assumes a 30 percent inflation rate for Russia, which is considered unrealistic by all experts. But the Tatarstan budget is based on an even lower inflation level of 27 percent, further reducing the likelihood that the budget is realistic. - Midkhat Faroukshine in Kazan

NEW SALES TAX HELPS BALANCE SAMARA'S 1999 BUDGET. Shortly before the end of 1998, the Samara Oblast Duma adopted the 1999 budget and approved a new sales tax, which should boost regional revenues considerably. Experts say that the oblast budget is much more balanced than the federal budget currently under discussion in the State Duma. As a result of the debate in the oblast duma, budget expenditures in the draft decreased by 300 million rubles to 5.8 billion rubles in total, equal to revenues. Most budget cuts affected expenditures for construction, which had to be decreased by 11 percent. In contrast, spending on social needs remained intact. The cuts were forced by changes in the federal subsidies, as a result of which the oblast lost 283 million rubles in income.

Another new feature of Samara's budget is the introduction of a new subsidy system between the oblast and municipalities. Each city or raion will receive money not in accordance with what it claims it needs, but depending on the number of people living in its jurisdiction. The system redistributes income from richer municipalities to the ones with greater social needs. Needless to say, Samara Mayor Georgii Limanskii protested the proposed system because he feared it would lead to higher rent and fees for public transportation. The mayor also complained that the city loses to the oblast some of the most lucrative sources of revenue, such as the value added tax (VAT) and the profit tax. However, most duma members voted against the mayor and approved the budget.

Much of the oblast administration's budget plans will depend on how well it can collect taxes and capitalize on the new 5 percent sales tax. In 1998 the oblast collected only 82 percent of all taxes that were due it, while the same figure for the federal government fluctuated around 64-65 percent. The oblast hopes to raise 867 million rubles from the sales tax for the consolidated budget. Very few categories of goods and services will be exempt, mostly those deemed to be "socially important," for example medicine and public transportation. A reduced tax rate will be applied to the sales of alcohol (2 percent) and automobiles (3 percent). Of course, despite the reduced rates and exemptions, the sales tax is extremely unpopular. Local AvtoVAZ car dealers have told the oblast duma already that the tax will force them to take their business outside the region (*EWI Russian Regional Report*, 17 December 1998). They would prefer a 1 percent tax, but the oblast feels it has made significant concessions to the dealers already. - Andrei Perla in Samara

LENINGRAD OBLAST LEGISLATORS REJECT SALES TAX. On 29 December the legislative assembly of Leningrad Oblast rejected 31 to 3 a sales tax proposed by the oblast administration's economic and investment committee. The law, which would have gone into effect on 1 January 1999, stipulated a 5 percent tax on all goods and services except basic essentials. This tax would replace a variety of insignificant local taxes and the oblast expected to gain an additional 90 million rubles in revenue from its introduction. However, oblast

legislators feel that the law would prove ineffective at present and could bankrupt many companies working in the oblast. A 5 percent sales tax was introduced in the city of St. Petersburg on 1 January, however. - Marina Makova in St. Petersburg

FOREIGN TIES

VOLGOGRAD GOVERNOR CHOOSES BELARUS OVER KAZAKHSTAN.

Volgograd Governor Nikolai Maksiuta turned down an invitation from Kazak President Nursultan Nazarbaev to visit Astana on 21 December. Nazarbaev, who won re-election on 10 January, wanted to meet with the governors of the regions bordering his country before the vote. Several other Russian governors attended, along with Russian Prime Minister Yevgenii Primakov, and they all supported Nazarbaev's campaign.

However, Maksiuta is spending this week in Minsk, meeting with President Aleksandr Lukashenka and signing contracts with Belorussian (state-owned) enterprises. Lukashenko is a much higher priority for a governor from the "Red Belt" than Nazarbaev. Lukashenko would be one of the strongest leaders of the leftist camp if Russia and Belarus go ahead with a much-discussed reunification.

There are also purely economic reasons for such a choice, however. For instance, the Volgograd and Minsk tractor plants traditionally co-operated with common part suppliers during the Soviet era. Now some of those plants are in Russia (for example, the Volgograd Plant of Tractor Parts), while others are in Belarus. Re-establishing commercial links may help both Volgograd Oblast and Belarus. - Ivan Kurilla in Volgograd

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Spotlight on the Buryat Autonomous Okrugs

Two Different Leaders Shape Their Regions

Special Research Report

The Plight of Kaliningrad: A Russian and International Problem

Patterns of Regional Development

Lebed Loses Temper Over Krasnoyarsk Coal Supply

Beleaguered Mayor Triumphs in Vladivostok Duma Elections

Campaign for Local Councils Underway in Komi

Center-Periphery Relations

Moscow and Tatarstan Collide Over Power-Sharing Treaty

Interview with Kirsan Ilyumzhinov

Kalmyk President Defends Asymmetric Federalism

Budget Issues

Urals Regional Association Slams Federal Budget, Suggests Amendments

Irkutsk Governor Slams Draft Federal Budget, Corruption

Chelyabinsk Reviews 1998 Budget Performance, Looks On To 1999

Elections 1999/2000

Yabloko Prepares for State Duma Race in Tver

Sverdlovsk Politicians Divide Up Media in Run-Up to Elections
Another Nationalist Candidate to Challenge Makashov in Samara District

Social Issues

Bread Prices Rise in Nizhnii and in Other Regions
Kursk Raises Money Through Higher Utility, Transport Rates
Yakutiya Seeks to Overcome Nuclear Legacy

Advertisement

The Political Almanac of Russia, 1989-1997

BREAKING NEWS

POLITICS

PRIMAKOV MEETS SIBERIAN GOVERNORS IN KEMEROVO. Prime Minister Yevgenii Primakov met with the governors in the Siberian Accord interregional association in Kemerovo on 15 January. Also attending were Unified Energy System head Anatolii Chubais and Communist Party leader Gennadii Zyuganov. Krasnoyarsk Governor Aleksandr Lebed denounced the draft federal budget for 1999 as unacceptable and called for a redistribution of federal property, *Nezavisimaya gazeta* reported on 16 January. Lebed wants the federal government to transfer ownership of factories, electricity generators, and coal mines to the regions, giving them significantly greater freedom from the federal government. The governor proposed subordinating the "approximately 90" regional branches of federal ministries working in the krai to the governor as well as the federal government, giving them joint control. They are currently only subordinate to the federal government. Lebed warned that any attempt by the center to strengthen its ties to the regions would only increase separatist tendencies. Primakov responded by saying "We lost the Soviet Union, we are not going to lose Russia," and warned against increasing separatist tendencies.

Primakov promised to subsidize the coal industry by up to 12 million rubles by the end of the year and maintain output levels. The World Bank said the same day that it would abolish its \$800 million program to the coal industry if the federal government did not devise a plan to close unprofitable mines and help workers find new jobs (*Moscow Times*, 16 January).

Primakov also signed an agreement giving Kemerovo Governor Aman Tuleev more control over coal mining companies in Kemerovo.

YABLOKO MOVES INTO OPPOSITION AGAINST ST. PETERSBURG GOVERNOR. On 16 January, the St. Petersburg branch of Yabloko broke its alliance with St. Petersburg Governor Vladimir Yakovlev and joined the opposition against him. Additionally, First Deputy Governor Igor Artemev, a Yabloko leader who handled financial issues in the governor's administration, resigned, charging that he could no longer work for a man who "relied on Communists, browns, anti-Semites, and petty thieves," *Kommersant Daily* reported on 19 January. Yabloko and Yakovlev began working together in the 1996 gubernatorial elections.

Yabloko and the governor disagreed on a variety of issues. The party objected to Yakovlev's decision to accept a \$200 million credit from Great Britain to build a high-speed train line, saying that it put the city on the verge of financial collapse. Yabloko also objected to the governor's minimal support for neighborhood governments in the city, blamed him for the collapse of the St. Petersburg television station, and blasted his slow implementation of housing reform (*Izvestiya*, 19 January). The last straw was when Yakovlev campaigned for his own list of candidates in the December Legislative Assembly elections, saying he did not want to have anything to do with Moscow parties. Yabloko did relatively poorly in those elections, winning only eight seats in the 50-member house. Yabloko party leaders charged the governor with supporting candidates who had criminal pasts and objected to his use of his deputy, the infamous nationalist television personality Aleksandr Nevzorov, to campaign for his candidates. Artemev also charged that Yakovlev backed several banks that were operating outside the control of the city authorities.

MOSCOW BLOCKS LEBED ATTEMPT TO GRAB MEDIA. The Moscow leadership of Russian Television has blocked an attempt by Krasnoyarsk Governor Aleksandr Lebed to appoint a manager of the Krasnoyarsk State Television and Radio Company. Lebed wanted to put Oleg Nelzin, a regional legislator from his Honor and Motherland party, in charge of the regional broadcaster, but the Moscow authorities said that such a move was beyond his competence. The previous director remains in place. (*Izvestiya*, 20 January)

VOTKINSK REJECTS US-BACKED ROCKET FUEL PLANT. Votkinsk (Udmurtiya) residents voted against building a plant that would burn off rocket fuel from decommissioned nuclear missiles in a 17 January referendum. Turnout was just over 50 percent and 94.6 percent of the voters rejected the project. The plant would have been sponsored by the US government; and the US defense giant Lockheed Martin had already won a \$54 million dollar contract to build the facility. The project had originally been planned for Perm, but the federal government moved it to Votkinsk after Perm residents strenuously objected. Residents there had tried to hold a referendum, but the Supreme Court ruled that the federal government had the sole right to determine whether to go ahead with the project. (*Moscow Times*, 19 January)

INGUSHETIYA PLANNING REFERENDUM ON CONTROL OVER LAW ENFORCEMENT AGENCIES. Ingushetiya President Ruslan Aushev has authorized a referendum on 28 February asking residents if the republic should have a voice in naming the directors of the local Ministry of Internal Affairs and procuracy. The federal government currently names those officials. Aushev had pushed for a similar referendum in March 1998, but backed down under federal pressure. A conciliatory commission has not made progress on the issue, and now Aushev is again pushing to get his way. Aushev also wants the ability to pardon people who commit crimes seeking blood revenge and prospective grooms who kidnap brides-to-be against the will of the women's parents. (*Izvestiya*, 30 December)

ECONOMICS

CIGARETTE MERGER TO AFFECT RUSSIAN MARKET. The merger of British American Tobacco (BAT) and Rothmans International, the second and fifth largest cigarette producers in the world, could have a substantial impact in Russia. The combined company will seek to control 20 percent of the Russian market (*Moscow Times*, 13 January). BAT has production facilities in Moscow and Saratov. Its locally produced cigarettes are in demand in Russia, although its imports have not been selling as well. Rothmans, on the other hand, recently closed its St. Petersburg production facilities but its imports are doing well. The merger will strengthen the company in both sectors of the market and provide increased competition for R. J. Reynolds and Philip Morris. The actual merger will take several months to complete. (*Kommersant Daily*, 19 January) Russians smoked 220 billion cigarettes last year.

LUZHKOVA, CITY COUNCIL BATTLE OVER BUDGET. Moscow Mayor Yurii Luzhkov and the Moscow city council fought over the city's draft 1999 budget on 18 January. The mayor sought spending cuts to free up money to service city debts, while deputies sought more support for social programs. The deputies want to spend as much as 6.5 billion rubles more on food subsidies, veterans' benefits, and the city-owned mass media. Total city expenditures are now set at 58 billion rubles. However, the city owes \$1.3 billion in Eurobonds and foreign bank loans and 5.4 billion rubles to domestic lenders. The city must pay more than \$300 million this year to service its debts.

The deputies also criticized Luzhkov's plans to borrow 9 billion more rubles. Luzhkov wants the money to fund new building programs, support his pet projects, such as the Moskvich car maker, and to make loans to other Russian regions. The battles are important because they could affect how Luzhkov presents himself in the presidential campaign. (*Moscow Times*, 19 January)

On 13 January, the city Duma gave preliminary approval to a new 5 percent sales tax that would take effect on 1 April. It is not clear if the new tax will make up for the shortfalls expected due to lax collection of federal taxes. The federal government is planning to cut the value-added tax from 20 percent to 15 percent, the profit tax from 35 percent to 30 percent, and take an increased share of the income tax, largely at the expense of the regions. (*Moscow Times*, 14 January)

US THREATS HURT ROCKET MAKERS. The US government's threats to bar Russian rockets from launching US satellites as punishment for Russia's alleged transfer of missile and nuclear technology to Iran would hurt Russia's two largest rocket makers: Moscow's Khrunichev Space Research and Production Center and Samara's Progress. Russia is set to put nine US satellites into orbit this year. The price tag for each launch is about \$70 million. (*Moscow Times*, 15 January)

MINISTRY OF FOREIGN AFFAIRS OPENS OFFICE IN ARKHANGELSK. The Russian Ministry of Foreign Affairs has opened an office in Arkhangelsk. The northern region is

on the Barents Sea and has increased its foreign trade considerably, particularly with the Scandinavian countries. The port is now bustling and the airport has been reconstructed and receives foreign flights. The office will handle consular issues and help the region build additional economic ties. (*Izvestiya*, 15 January)

SPOTLIGHT ON THE BURYAT AUTONOMOUS OKRUGS

TWO DIFFERENT LEADERS SHAPE THEIR REGIONS

by Andrei Khodoev, Baikal Nature Management Institute

ULAN-UDE--The Ust-Orda Autonomous Okrug, located in Irkutsk Oblast, and the Agin-Buryat Autonomous Okrug, in Chita Oblast, are historically linked to the Republic of Buryatiya, which lies between the two okrugs. The Republic of Buryatiya and the two autonomous okrugs were formerly part of the Buryat-Mongol ASSR. The two smaller regions were separated from the rest of the republic in 1937 when Moscow reduced the Buryat-Mongol titular area in hopes of diffusing nationalist feelings. That left the two okrugs as Buryat enclaves in Irkutsk and Chita oblasts, without any borders with present day Buryatiya.

On 17 November 1996, Ust-Orda Buryatiya held its first democratic elections for governor, mayors, and regional and local legislatures. Fifty-nine percent of the electorate participated in the elections. The governor's race had five candidates, three of whom were serious contenders. Incumbent Aleksei Batagaev had led the okrug administration for five years and had state Duma Deputy Sergei Boskholov campaign on his behalf. Communist Party candidate Ivan Ivanov and the 32-year-old director of the Kamen collective farm, Valerii Maleev, also had strong chances of winning the election.

The most heated electoral battle should have been between incumbent Batagaev and Ivanov. The week before the election, Communist Party leader Gennadii Zyuganov flew to the region and campaigned for Ivanov. His involvement played a decisive role in the elections, allowing Ivanov to take a considerable number of votes from Batagaev. But Maleev, having organized a strong and competent campaign, slipped in between the two other top contenders and won 38.5 percent of the vote compared with Batagaev's 26.9 percent and Ivanov's 25.8 percent, and became the surprise victor

Valerii Gannadevich Maleev was born in 1964 in the Bokhan district of Ust-Orda Buryatiya, where his family had been living for two centuries. He is married with two sons, and is youthfully energetic: hunting is his favorite pastime. He is a skilled economist, who has earned degrees at the agricultural institute and an economics academy. In 1991, at the age of 27, Maleev became the director of the Kamen collective farm, which at the time was on the verge of collapse. Over five years, he turned the farm around by changing its focus to wheat production, which has a long tradition of success in the region. Maleev did not limit himself to selling only unrefined grain, but created a large processing facility. The day before the

gubernatorial elections, the regional newspaper described Maleev as a "farmer by birth, but a new sort of farmer who is well educated and keeps state interests in mind." The paper christened Kamen an "island of prosperity." (*Vostochno-Sibirskhaya Pravda*, 13 November 1996)

Maleev believes the main reason for Russia's agrarian crisis is the economic ignorance of village officials, who lack the knowledge and skill to establish a strict management system. He wants those in power to assemble well-educated staffs whose members can work individually with managers to help them find profitable niches in production or the extraction of raw materials. To accomplish that goal, the managers must first conduct an economic analysis of the okrug's and oblast's needs and economic potentials.

Immediately after the elections, the Irkutsk Oblast administration announced that Maleev's rise to power would not interfere with the okrug's further development or its close relations between the oblast and okrug (Irkutsk Oblast consumes 90 percent of the okrug's products). Irkutsk Governor Boris Govorin said, "Maleev is a truly honest manager, who is both young and energetic. He understands agricultural problems and can solve them."

In the Agin-Buryat Autonomous Okrug, gubernatorial elections were held on 27 October 1996. None of the candidates won the necessary majority to secure the election. The top contender, Bolot Ayushiev, commanding both popular support and a rich campaign war chest, gained only 100 votes more than second-place finisher, Yurii Dondokov. Repeat elections were set for February 1997, but in January Ayushiev was appointed deputy governor of Chita Oblast. On 23 February State Duma Deputy Bayar Zhamsuev was elected governor of the okrug.

Bayar Bayaskhalanovich Zhamsuev was born in 1959 in the village of Agin in Agin-Buryatiya. Like Maleev, Zhamsuev is married with two children. But unlike Maleev, Zhamsuev has a long record of official service. After graduating from the Chita State Pedagogical Institute in 1981, Zhamsuev worked as a history teacher. Then he worked with the Komsomol for ten years, holding leadership positions in the district and oblast Komsomol committees. In 1991, he became the deputy governor of the okrug and the permanent representative of the okrug to the government of the Russian Federation. In 1993, he graduated from the Russian Management Academy as a legal expert with the qualifications to work as an "advisor in state management." In December of the same year he was elected to the State Duma from Agin-Buryatiya. In 1995, Zhamsuev was re-elected to the Duma. Zhamsuev was an active deputy during his Duma tenure. He was elected deputy chair of the Duma Committee on Nationality Affairs and chair of the Sub-committee on National Minorities and Indigenous Peoples. Zhamsuev was also a member of the Russian Regions Duma faction. After his election as okrug governor, in September 1997, his Duma seat was filled by the well-known singer Iosif Davydovich Kobzon. Zhamsuev and Kobzon now collaborate closely. Kobzon was fundamental in securing a privileged loan for conducting investment projects in Agin-Buryatiya.

Although close in age, these two leaders of the Buryat autonomous okrugs are fundamentally

different. Maleev is a hands-on manager and an economist while Zhamsuev is a political functionary. Many conflicts in today's Russia boil down to which of these two approaches is better. Yet the difficulty in comparing the economic results of these two approaches in the Ust-Orda Buryat and Agin-Buryat autonomous okrugs lies in the fact that these regions are in the periphery of the periphery. First, during the Soviet era, Moscow viewed Siberia simply as a raw material supplier, and that blatantly incorrect and antiquated perspective remains firmly entrenched even today, in a more regionalized economy. Second, the okrugs' economies are intertwined with the economies of the oblasts to which they are subordinate, and these relations are occasionally even closer than the okrugs would like.

Irkutsk Oblast is traditionally more successful than the Republic of Buryatiya and Chita Oblast. In the 1990s this tendency has grown stronger due to the successes of former Irkutsk Governor Yurii Nozhikov and his successor Boris Govorin. Despite the efforts of Chita Governor Ravil Geniatulin and Buryatiya President Leonid Potapov, their regions have been unable to achieve similar results. Therefore, keeping in mind the earnest and rather productive activities of Governor Maleev, it is necessary to point out that the economic success of Irkutsk Oblast has been helpful to Agin-Buryat. Thus, the economic system of Chita Oblast inevitably affects Zhamsuev's work and limits his potential success. Nevertheless, both leaders have time, and the conditions of the current crisis have immeasurably expanded the field for their potential activity.

SPECIAL RESEARCH REPORT

THE PLIGHT OF KALININGRAD: A RUSSIAN AND INTERNATIONAL PROBLEM

by Richard J. Krickus, Mary Washington College

Geographically, Kaliningrad is located in Europe. But politically it is an entity of Russia. That is the plight of Kaliningrad Oblast and consequently it enjoys a unique position among Russia's regions.

Kaliningrad became an exclave after the collapse of the Soviet Union, and is separated from Russia proper by a distance of 520 kilometers. The pie-shaped territory is bounded by the Baltic Sea to the west and Lithuania and Poland on its northern, eastern and southern borders. It is the size of Northern Ireland with a population of 930,000; 80 percent of its inhabitants are ethnic Russians and most of the rest are Ukrainians and Belorussians, with a small number of Lithuanians and Germans mixed in. Contrary to expectations in the 1980s, Germans from other areas of the USSR never migrated to the oblast in significant numbers, nor have German entrepreneurs invested heavily in Kaliningrad. A little more than half of the population lives in Kaliningrad City, formerly Königsberg. The territory was awarded to the USSR at the Potsdam Conference, with the proviso that its status be finalized with a peace treaty which was never signed by the victorious allies.

Lithuania and Poland are the only countries with diplomatic representation in the oblast and Kaliningrad is highly dependent on them. Both provide the residents of Kaliningrad with the majority of their foodstuffs and consumer goods. Together they may be the largest foreign investors, with Germany taking second place. If the authorities in Kaliningrad wish to connect their roads and railways westward or toward the south, they must get permission from Poland, but Warsaw has rejected a proposal from President Boris Yeltsin and Belarussian President Alexandr Lukashenko to build a corridor through Suwalki to Belarus. What's more, Kaliningrad receives 80 percent of its electricity from Lithuania, and Vilnius coordinates civilian air traffic to and from the oblast.

Nevertheless, relations between Kaliningrad, Moscow, Lithuania, and Poland are good. Vilnius and Warsaw have attempted to cooperate harmoniously with Moscow in resolving border, visa and commercial questions. Lithuania and Poland provide Kaliningrad with humanitarian assistance - largely in the form of food and medicines - as Russia's economic crisis and the ruble's devaluation, in particular, has hit the oblast residents especially hard.

Kaliningrad's first governor, the academic Yuri Matochkin, was selected by Yeltsin to serve in that post in 1991. Through his contacts in Moscow, Matochkin lobbied authorities there to acknowledge that Kaliningrad deserved special economic privileges. In 1990, Moscow created the Yantar Free Economic Zone in the Oblast and it provided foreign investors with tax breaks which encouraged them to engage in joint-ventures with local enterprises. In 1995, Moscow disbanded the zone because it was being manipulated by some investors to avoid paying taxes and was a source of contraband. Lobbyists from St. Petersburg also used their influence to discontinue the Free Economic Zone to undercut competition from Kaliningrad's ports.

As a result, prices in Kaliningrad soared by 25 percent and the economic situation deteriorated even further. Under pressure from Matochkin, Moscow again created a Special Economic Zone for the oblast early in 1996. But in the fall of that year, Leonid Gorbenko, the manager of Kaliningrad's fishing port, replaced Matochkin in a popular election. Gorbenko was supported by Moscow Mayor Yuri Luzhkov and General Alexandr Lebed; the voters favored him because they blamed Matochkin for the oblast's economic plight. Gorbenko immediately clashed with the oblast Duma over selecting that body's speaker and both remain deadlocked. Gorbenko's opponents have accused him of corruption and incompetence and have blamed him for the oblast's economic difficulties after he turned his back on the Special Economic Zone.

Gorbenko, in turn, asserts that he inherited the region's economic problems from Matochkin and chides Moscow for not providing Kaliningrad with the help it formerly received from the center. Both the governor and his opponents in the Duma agree on one thing: Moscow has no coherent Kaliningrad policy. The president's office has not taken measures to alleviate Kaliningrad's plight and the State Duma has not enacted legislation to make the Special Economic Zone viable. Since the summer 1998 economic meltdown, Gorbenko and his opponents are uniform in their assessment that the oblast's economic problems cannot be resolved without extensive foreign assistance.

The authorities in Moscow have been wary of extensive foreign help. Given Kaliningrad's location beyond the rest of Russia, they have characterized the region as a security problem. Three areas of concern have preoccupied the center:

1. Foreign analysts and politicians have deemed Russia's legal control over the oblast problematic.
2. Ever since the disastrous war in Chechnya, Moscow has been alarmed by any sign of separatist tendencies in Russia's regions.
3. Officials in Moscow deem Poland's membership in NATO as a security threat to Russia.

Kaliningrad's neighbors expressed concerns of their own after the region became an exclave. For example, they pointed out that the large number of Russian troops remaining in Kaliningrad exceeded the number necessary to defend the oblast, and Vilnius balked at Moscow's demands for a corridor to Kaliningrad through Lithuania.

In recent years, all of these points of discord have diminished. The number of Russian troops in the oblast has been reduced from an estimated high of 225,000 in 1995 to approximately 24,000 today. And, in spite of continued alarm from Moscow about NATO enlargement, Russia's real security problems exist within the Federation and to its south and east. Furthermore, there is no separatist movement in Kaliningrad and no foreign government has laid claim to the region.

Some EU experts have argued that only outside help can prevent Kaliningrad from becoming a black hole in Europe. They have recommend that the EU and Kaliningrad's neighbors work with Moscow to address the oblast's pressing economic, social and ecological problems. Since the collapse of the USSR, the oblast has been stricken by the same economic and social problems that have ravaged the rest of the Russian Federation. In some instances it has suffered even greater hardships; e.g. in 1995, industrial output there was 39 percent of what it was in 1990 while comparable figures for Russia were 49 percent; that year the average personal income index was 83 in Kaliningrad and 100 in Russia. From 1995 until the end of 1996, real personal income declined by 9 percent and unemployment was over 10 percent. All indications are that the economy will continue to slip and not rebound any time soon. It has been estimated that about 90 percent of Kaliningrad's foodstuffs and consumer goods are imported, so the ruble's devaluation has acutely strained the oblast's residents.

Kaliningrad reputedly has the highest incidence of AIDS in the Russian Federation, the second highest rate of drug-related crimes, and is first in Europe in confiscated drugs. The Mafia operates openly and extensively and, according to Jane's Sentinel, "The demoralization of the large military garrison means that many gangs are either run by or allied with criminal officers. As a result, weapons are freely available and military transport links are routinely misused for smuggling."

Even if the international community is prepared to provide the necessary help, political gridlock

in Kaliningrad and Moscow's wariness about foreign activities in the oblast may preclude any significant international aid from materializing.

But Moscow does not have the money to subsidize the oblast and is unwilling to give officials there extensive control over the economy and greater freedom to sign commercial and transit agreements with Kaliningrad's neighbors. According to Solomon Ginzburg, a Matochkin ally and Gorbenko critic, polls indicate a correlation between Kaliningrad's economic troubles and support for separatism. There is no mass separatist movement in the oblast, however, and politicians and business people there are pressing for republic status within the Russian Federation. Even if they achieve that objective, however, the oblast does not possess the resources to address its problems without significant foreign assistance.

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PATTERNS OF REGIONAL DEVELOPMENT

LEBED LOSES TEMPER OVER KRASNOYARSK COAL SUPPLY. Another grandiose scandal has shaken Krasnoyarsk Krai, and once again Governor Aleksandr Lebed is the central figure. This time he shocked the public by using unprintable language in front of TV cameras, when trying to reprimand one of the businessmen in the krai.

The scandal specifically surrounds the bankruptcy procedures launched in a local arbitrage court against the Krasnoyarsk Fuel Company (KTK), which had been organized by Lebed in the fall of 1998. The main idea was to remove Novosibirsk middlemen firms from transactions between the krai's coal mines, the largest being the Borodino mine, and electricity producers. Curiously, although Lebed removed other middlemen, he in effect appointed KTK as the new middleman monopolist. With the backing of Borodino mine Director Valerii Sherrer, Lebed appointed Marat Saitov, an ethnic Chechen with alleged criminal connections, to run the new company. Upon his appointment, Saitov promised to do away with non-payments in the region and help the krai retain the money that until then was going to Novosibirsk firms. Lebed largely ignored pleas from various coal industry leaders that the decision was absurd, because it replaced one middleman with another and placed such a lucrative industry under the control of shady individuals. The high levels of payment arrears in the coal industry prove that it is fertile ground for corruption.

Despite these protests, KTK began collecting money from consumers and supplying them with coal, but somehow it failed to pay to the coal producers. As of January 1999, KTK owed 42 million rubles to the Borodino coal mine alone. One of the leading regional banks, Metaleks, controlled by Lebed's former backer and now his fiercest foe Anatolii Bykov, filed a

bankruptcy claim against the company in an arbitrage court. Outraged by such a turn of events, Lebed summoned an emergency meeting of coal mine directors and journalists in his office on 17 January. He put Saitov on the spot and demanded a report on KTK's performance. Addressing the issue of debt to coal producers, Saitov said that soon his company will transfer to money to Novosibirsk, citing commercial secrets and interests. Lebed exploded: "What? Middlemen again?" He proceeded to insult Saitov with statements like "Da idi ty kuda podalshe... v zhopu!... Rastorgaite etu kherovinu!... K e...oy matery!" In the end he expelled Saitov from the room.

Everybody in the room was shocked, while Saitov left, visibly shaken. However, the question of paying KTK's debt to the Borodino coal mine was still unresolved, so after Lebed cooled off, he sent for Saitov in order to make him sign a promissory note to the coal mine. However, both Saitov and his deputy quickly disappeared from the krai. Lebed's men managed to find Borodino Mine Director Sherrer, who was escorted into the governor's office under the protection of armed guards. This time Lebed publicly scolded the Borodino director, mocking him and telling the public that the management of the coal mine had betrayed the Borodino people. He also said that he is done "being soft" and threatened "to begin breaking spines" and, if necessary, go as high as the prime minister, the president, or God Himself. Lebed promised to remove Sherrer in a matter of days and appoint younger managers to run the coal mine. The governor ordered the krai chief of police to place all coal mine directors in the region under protective custody, tantamount to arrest, and also to do everything necessary to "throw KTK out of the Krasnoyarsk market."

Several minutes later the fiery governor calmed down and said that all the outstanding questions about supplies of power stations with coal will be resolved. Obviously, Lebed recognized that his October 1998 decision to create KTK and appoint Saitov to head it was a strategic blunder, which betrayed his incompetence and lack of familiarity with the krai's problems. Naturally his enemies, most notably Anatolii Bykov, used this opportunity to strike at the governor. Lebed apparently felt that he needed a shocking show of power to rebut the criticisms. Meanwhile, Krasnoyarsk Krai stands to lose the Borodino coal mine. Indeed, if it goes bankrupt, the court will appoint external management from the ranks of creditors to run it, and today Novosibirsk firms comprise the majority of the mine's creditors. The only solution for Lebed is to force KTK to write a promissory note to the mine, however this is not feasible as long as the company's management is in hiding.

BELEAGUERED MAYOR TRIUMPHS IN VLADIVOSTOK DUMA ELECTIONS.

After 14 unsuccessful attempts in the last several years, Vladivostok residents finally elected a city Duma on 17 January. Twenty-eight percent of the city residents turned out at the polling stations. The local media, largely controlled by the regional administration of Governor Yevgenii Nazdratenko, credited such relatively high turnout to the "enormous efforts of the president" and the "civic leadership" of the governor, Krai Duma Speaker Sergei Dudnik, and Presidential Representative Vladimir Kondratov. The three officials had, at least temporarily, put aside their differences and issued a joint statement calling on the city to vote. However, it is clear that

Vladivostok managed to surpass the mandatory 25 percent minimum requirement due to the large number of protest voters.

Preliminary results show that former Mayor Viktor Cherepkov's bloc United City captured 14 out of 16 seats in the Duma. Cherepkov has been locked in battle with his rival, the governor, and most recently was removed from office by a December presidential decree. Cherepkov himself was overwhelmingly elected in one of the districts. Thus, Vladivostok residents signaled their disagreement with the presidential decree and governor's appointment of Yuri Kopylov as acting mayor. In appointing Kopylov, Nazdratenko clearly sought to put him forward as an alternative to Cherepkov.

On the eve of the elections, there were plenty of calls to boycott the polls, in which case Kopylov would have remained acting mayor for an indefinite period of time. Cherepkov's enemies called on city residents to ignore the elections through TV and radio broadcasts and free newspapers, 150,000 copies of which were especially printed for the campaign and distributed by mail. Some anonymous flyers tried to smear Cherepkov's supporters, while the pro-Cherepkov newspaper has been shut down since early January. Both Nazdratenko and Kopylov told the press that they are not concerned about the outcome of the elections. Kopylov noted that most of the new Duma members are reasonable people, and that he hopes to work with all of them. Nazdratenko claimed that Cherepkov changes his teams every six months, and very few people can actually work with him.

The city Duma will begin its work within three weeks, and the most important items on the agenda will be adopting a city charter and electing a mayor. However, some fear that the regional authorities will not allow the opposition to control Vladivostok's legislature. Numerous cases have already been filed with the courts against deputies from United City. One court is looking into accusations that voters were offered money to vote for one of Cherepkov's supporters. Procurators in several districts are investigating the validity of signatures on the nomination form in support of another United City candidate. In all likelihood, Vladivostok should brace for more political scandals and attempts to invalidate the election results. - Yevgenii Popravko in Vladivostok

CAMPAIGN FOR LOCAL COUNCILS UNDERWAY IN KOMI. The first stage of the electoral campaign for the Komi Republic legislature, the State Council, and the local legislatures, came to a close on 12 January. For the fifty seats in the State Council, 296 people were nominated between 9 December and 7 January, but only 269 of them have been registered to run (*Respublika*, 15 January). The elections will take place on 7 February. Despite predictions that the campaign would be very competitive, with up to 15 candidates contesting each seat, considerably fewer candidates registered in most of the republic.

The pool of candidates is very diverse, but the largest group is comprised of leaders of industrial enterprises. The rest include 13 mayors of cities and raions, several deputy mayors, a speaker of a local assembly and his deputies, and many incumbent members of the State Council,

including heads of various parliamentary committees. Political parties have been extremely weak and show almost no presence in the race. Only the leaders of local branches of the Communist Party, Yabloko and the National Patriotic Union are running. The republican "party of power" has demonstrated the greatest unity: in virtually all districts mayors, ministers and deputy ministers are running for office, but in almost all cases they are not competing with each other.

Government bureaucrats have the best chance of getting elected. Indeed, the republic retained its old districting system, which includes two types of electoral districts: territorial and administrative-territorial, the latter coinciding in boundaries with the administrative divisions of the republic (cities and raions). Heads of these cities and raions will have the upper hand getting elected on their own turf. There were some demands to do away with the old system before the campaign began, because the law stipulates that the number of voters in each district must be roughly equal to that in other districts, within a 10 percent margin. However, the parliament has failed to adopt the new districting scheme in time for the election, so the republic has to endure the injustice of the old system, which is unfair to both voters and candidates.

Competition is expected to be fiercest in the capital city of Syktyvkar. In most districts in the city there are over ten candidates running for office. Experience shows that if voter turnout is low, a candidate would need to secure roughly more than 1,000 votes to claim victory. Thus, those who can mobilize their supporters best will win. Additionally, there is plenty of room for bribing voters. However, so far the campaign has run smoothly, without scandals and accusations, although final judgment should be reserved until after 7 February, when the voters go to the polls. - Yuri Shabaev in Syktyvkar

CENTER-PERIPHERY RELATIONS

MOSCOW AND TATARSTAN COLLIDE OVER POWER-SHARING TREATY

by Midkhat Faroukshine, Kazan State University

KAZAN--In the last several months, the relations between Tatarstan and the federal center have been clouded by the impending deadline, 15 February 1999, when the power-sharing treaty signed by the two sides on 15 February 1994 will expire. The treaty, the first of its kind between Moscow and a Russian region, provided Tatarstan with generous benefits, not available to other Russian regions. For example, the treaty gave Tatarstan control over taxes on the sale of alcohol as well as on oil and gas. Moscow and Kazan have to negotiate the way to split proceeds from the value-added tax (VAT) every year. As a matter of rule, the two sides split the revenues in half. For the sake of comparison, other regions retain only 25 percent of the VAT collected on their territories, and the 1999 federal budget provides for the center to keep 85 percent of the VAT (*Izvestiya*, 13 January).

Of course, Tatarstan would like to renew the treaty in its 1994 form, especially because the

parliament has adopted the 1999 republican budget, assuming the current benefits will be continued. (See *EWI Russian Regional Report*, 14 January) Sources vary on how much Tatarstan stands to lose if the benefits are fully revoked: of the 9 billion rubles in revenues projected by the budget, it might lose anywhere from 16 percent (*Kazanskoe vremya*, 13-19 January) to 30 percent (*Vechernyaya Kazan*, 15 January) of the income. However, Moscow is not likely to extend the treaty or negotiate a similar one, especially when Prime Minister Yevgenii Primakov keeps saying that the center should end the practice of giving some regions special privileges.

Today both sides are carefully negotiating in Moscow. According to preliminary press reports, Finance Minister Mikhail Zadornov is taking hard line, and all attempts by Tatarstan's President Mintimer Shaimiev to negotiate with him have been in vain. Most importantly, Tatarstan today does not have the same trump cards it enjoyed in 1994, including growing ethnic separatist sentiments and infighting between President Boris Yeltsin and the opposition-dominated Supreme Soviet. Right now Tatarstan's leadership has no leverage over the federal government, nor can it build a coalition of other regional leaders to exert pressure.

When asked by a correspondent what will happen if Moscow refuses to extend the fiscal part of the agreement, Speaker of the State Council (parliament) Farid Mukhametshin said that there is no other way out. The republic has adopted its 1999 budget based on the current budgetary benefits, and the overarching agreement between Moscow and Kazan has no expiration date, but it provides for a separate fiscal agreement to be concluded by both sides. Because the federal parliament has not adopted its 1999 budget yet, it should include provisions to accommodate Tatarstan.

These kinds of arguments show the true weakness of Tatarstan's position. If the State Duma adopts the 1999 federal budget, it will make for legal grounds to revise the republican budget. Moreover, in adopting the federal budget the State Duma is not bound by either the overarching power-sharing treaty, nor by any other specific treaties, because they are acts signed by the executive branch, without any participation by the parliament. Not only does the State Duma not have to abide by the agreements between Yeltsin and Shaimiev, but the treaty contradicts both the national Constitution and the Constitution of the Republican of Tatarstan.

INTERVIEW WITH KIRSAN ILYUMZHINOV

KALMYK PRESIDENT DEFENDS ASYMMETRIC FEDERALISM

Conducted by Vasilii Filippov and Dmitrii Grushkin in the Federation Council on 3 December 1998.

FEILIPPOV: Kirsan Nikolaevich, how would you describe the current state of Russian federalism? Do you think that federal relations today are stable or in a crisis?

ILYUMZHINOV: I would say in a crisis. Indeed, the Constitution stipulates the inviolability of private property, and Russia seems to be trying to build a market economy. At the same time, center-periphery relations are run as if we still had the administrative-command system. The center expects the regions to do whatever it says. We have 89 regions, all different in terms of natural endowments, economic potential, histories and national character, etc. We cannot compare Dagestan's problems with those of Chukotka. Thus, the center should treat regions differently. Today, the more money a region makes, the more the center will take away, so most regions grow poorer and poorer.

For example, in 1996 Kalmykiya was supposed to transfer 100 billion old rubles in taxes to the federal budget, but we ended up transferring 450 billion rubles. Back then I asked Prime Minister Viktor Chernomyrdin to design a scheme, whereby the republic would retain anything it makes above and beyond the plan, and use the extra cash to finance restricted federal programs. Instead, Moscow increased our expected contribution for 1997 from 100 billion to 470 billion rubles. So, we were punished for our eagerness, but were able to transfer 3 trillion old rubles to Moscow that year. In the first half of 1998 I transferred 550 million new rubles in cash to Moscow, but we received only 43 million rubles back. When we protested this practice, Moscow blocked our electronic money transfers, closed our banks, etc. I agree with Zbigniew Brzezinski that the center's chauvinist policies, not regional separatism, will be the cause of Russia's demise.

FILIPPOV: What do you think about so-called "asymmetric federalism," whereby different subjects of the federation enjoy different levels of power, benefits and status? Do you think it is a wise political compromise or a grave mistake, which will eventually destabilize federal relations and cause the collapse of the Russian Federation.

ILYUMZHINOV: If Russia can stay together, it will be only due to the center's appreciation of diversity. Why would we not want to have a diversity of opinions between the center and regions? The Russian Federation can collapse only from ill-conceived statements, like Vladimir Zhirinovskii's recent proposal to incorporate Kalmykiya into the neighboring Volgograd Oblast. But keeping diversity within the federation alive is the recipe that will prevent Russia from collapsing and will enable regions to prosper. Many think that Russia's prosperity depends on injections from the IMF, but I think that the people's standard of living should determine the country's well-being, not the number of "oligarchs." The better off the common people of Russia are, the better off will be the regions and the country as a whole.

GRUSHKIN: How do you envision the ideal model for the Russian state? What is your view of the future?

ILYUMZHINOV: Russia is a unique civilization with its own economy and culture. In the last several years we have lost a large part of the pre-Soviet state. But, since we failed to keep that territory, at least we now must agree that the existing borders are inviolable. And Russia's own regions should be allowed to determine their own status.

For example, in 1993 Kalmykiya did not want to be a republic dependent on the center for subsidies, and this was one of my campaign promises. By 1997 Kalmykiya turned into a donor region, as the federal Ministry of Finance acknowledged this year. The media always writes about us as if we were some poor, backward region, but in reality we give to Russia more than we receive. Our 1997 budget was only 650 million old rubles, while we transferred to Moscow over 1 trillion old rubles. We have found our way. I have invited foreign investors, built plants, created an attractive tax environment. If others cannot do this yet, the center should help them out with subsidies.

In Russia everything is dictated from above. We should have a separate federal program run by Moscow and separate regional programs run by regional authorities. But today neither the federal nor the regional programs work. Some problems we cannot address because we do not have the appropriate jurisdiction, but the center does not have the time to deal with them. For instance, I could not change the head of a gasoline station because only the federal Ministry of Fuel and Energy can appoint or remove him. Well, the minister has no time to spend on some gas station head, so I have to petition the government for action, which often takes months. In another example, the federal Ministry of Justice revoked the decision by Tatarstan President Mintimer Shaimiev to teach Tatar language in schools. Shouldn't Shaimiev know better how to run his own republic? I think the center should devolve more authority to the regions: it is not a question of power, but a question of operational necessity.

BUDGET ISSUES

URALS REGIONAL ASSOCIATION SLAMS FEDERAL BUDGET, SUGGESTS AMENDMENTS. At the 6 January meeting of the Urals Economic Association held in Yekaterinburg and chaired by Sverdlovsk Oblast Governor Eduard Rossel, governors of the member regions discussed the proposed 1999 federal budget. They agreed that the federal lawmakers are about to adopt a budget that completely ignores the interests of the Russian regions and the composition of their respective budgets. The draft budget, which has just passed its second reading in the State Duma, also ignores mainstream prognoses for Russia's macroeconomic development and high levels of inflation. Although the federal revenues for 1999 are 130 percent of what they were in 1998, the Duma is raising expenditures only 115 percent.

Proposed tax reforms shift the tax burden from producers to consumers, which will decrease the already low living standards for most people and destabilize the social situation in the country. Although the budget offers to increase salaries by 50 percent, prices for consumer goods have already increased by 80 percent as a result of the financial crisis, and by next year will increase by an additional 30 percent. The federal budget all but ignores the social sphere, as the leaders of Chelyabinsk Oblast and the republics of Udmurtiya and Bashkortostan pointed out. Much like in the cases of other Urals regions, Sverdlovsk Oblast needs 1.8 billion rubles to finance its social program, whereas the federal center will disburse only 860 million rubles.

Even guaranteed federal programs have been cut, including some that are key to the development of the Urals region. Financing for a whole host of environmental rehabilitation programs will be cut dramatically.

Members of the Urals Economic Association made some concrete proposals to suggest as amendments to the draft budget. The proposals touch on the income tax, the value-added tax (VAT), alcohol taxes, customs duties and other levies. The association will ask State Duma deputies representing the Urals regions to consider these amendments and listen to the opinions of regional leaders when adopting the 1999 budget. As it stands now, the draft budget goes against the Urals' interests, and if the State Duma adopts it, leaders of the Urals regions will vote against it in the Federation Council. Rossel, as the chairman of the association, will be the spokesperson for its position on the budget at the next Federation Council meeting scheduled for 27 January. - *Urals Business News*, 18 January

IRKUTSK GOVERNOR SLAMS DRAFT FEDERAL BUDGET, CORRUPTION.

Recently back from a meeting of the Siberian Accord interregional association that took place in Kemerovo on 15-16 January, Irkutsk Oblast Governor Boris Govorin denounced the proposed federal budget for 1999. Govorin said that the State Duma vote on the plan will be a test for the deputies from the oblast. If they vote in favor, they will betray the interests of Irkutsk Oblast, because the amount of revenue expected from the oblast by Moscow greatly exceeds Irkutsk's capacity to deliver. According to the governor, if Moscow's proposals are implemented, the oblast's tax revenues will decrease from 6.258 billion rubles to 5.357 billion rubles. Thus, the oblast's own budget, which is already insufficient to meet its social payment obligations, would be greatly endangered.

The governor also announced a fight against corruption as the top priority for the country and for the oblast. As recent elections around Russia have shown, candidates with the most shady backgrounds are trying to gain power through legitimate means. They also try to gain control over the media - the recent inspections at the Irkutsk State Television Company have revealed that although rank-and-file journalists make pennies, media executives pocket millions. The governor asked his deputy for legal issues, Yevgenii Maltsev, to draft a law on anti-corruption measures that would be introduced in the oblast assembly. Govorin is certain that such a law would enjoy the support of both oblast legislators and the general public, which is outraged by the pervasiveness of the problem. The whole oblast was recently shaken by the gruesome murder of a deputy procurator in the city of Bratsk. The governor believes that without ending corruption, the oblast cannot hope to revitalize its economy. - Maksim Bakanovich (Teleinform) in Irkutsk

CHELYABINSK REVIEWS 1998 BUDGET PERFORMANCE, LOOKS ON TO 1999.

According to Chelyabinsk Mayor Byacheslav Tarasov, the city only collected 75 percent of the projected budget revenues for 1998. The main cause of the problem is the failure of the federal authorities to make payments they had promised to the city at the beginning of the year. In the fourth quarter of 1998 alone, the city lost 200 million rubles because of federal

non-payments. Moreover, municipal agencies have failed to collect additional revenues, despite the mayor's directive. On the expenditure side of the budget, the situation is reversed. The city's utility bills from Chelyabenergo electric power-company were 500 million rubles, or three times what was projected in the budget. Spending on social programs will come to about the same amount. Having learned its lesson, the city is mandating that schools begin recording all expenses beginning 1 February. (Public education is the city's responsibility under the Russian federal system.) Eventually this practice will be adopted by public health agencies and housing authorities, which are also under municipal jurisdiction.

The city administration discussed the 1999 budget on 25 December 1998. One conclusion is that due to recent changes in federal taxation policies, the city's tax revenues will decrease by 340 million rubles, or 25 percent. Subsequently, Chelyabinsk will be forced to cut its expenditures, as the city will be barely able to survive, with no room for "luxuries" like the maintenance and development of the municipal infrastructure. One measure proposed by the city is to cut down on the staff of raion administrations and transfer some raion functions to the city. Additionally, the city will be forced to use its land and real estate more efficiently in order to fill the budget gap. Chelyabinsk plans to raise at least 100 million rubles in 1999 from leasing its real estate alone. - Igor Stepanov in Chelyabinsk

ELECTIONS 1999/2000

YABLOKO PREPARES FOR STATE DUMA RACE IN TVER. With almost eleven months left before the elections to the State Duma, the electoral campaign is well underway in Tver Oblast. The local branch of Yabloko has shown the most organization and has begun working on its strategy. It held a conference of its members on 9 January, where the members selected a task-force to run the campaign and approved the general campaign plan. According to the plan, the Tver branch of Yabloko will run both on party lists and in the single-member districts. The suggested party list has been sent to the Moscow Yabloko headquarters back in the fall, and now the movement has resolved who will be running in the single-member districts. One of Yabloko's top leaders, Konstantin Klyushkin, will challenge the incumbent Communist deputy Tatyana Astrakhankina, a vocal left-wing ideologue. State Duma deputy Tamara Zlotnikova will challenge another Communist incumbent, Vladimir Bayunov. Zlotnikova is famous for her staunch opposition to the construction of a high-speed highway between Moscow and St. Petersburg (*Veche Tveri*, 12 January). Both Astrakhankina and Bayunov have ambitions beyond the State Duma and want to run for governor of Tver Oblast. In any case, the proposed candidates for single-member districts are still tentative, and must be approved by Yabloko's national leadership. - Boris Goubman in Tver

SVERDLOVSK POLITICIANS DIVIDE UP MEDIA IN RUN-UP TO ELECTIONS

by Olga Gorchakova, Urals State University

YEKATERINBURG--As Sverdlovsk Oblast prepares for a series of elections in the next two

years, leading regional politicians are trying to put together media holdings to support their respective campaigns. The race for the governor will culminate in the August elections, and in December voters will elect the new mayor of Yekaterinburg as well as new deputies to the State Duma. Then in 2000 Sverdlovsk residents will vote for the Yekaterinburg city duma, the oblast Legislative Assembly and several municipal councils, and of course for the president, barring unforeseen circumstances.

Five months before the gubernatorial campaign officially begins, the race is well underway. The key political groups realize the importance of the media for electoral victory, and have been working hard to carve up the media market. One such group is controlled by Yekaterinburg Mayor Arkadii Chernetskii, a challenger to Governor Eduard Rossel. The mayor's main strategy is not to acquire media outfits, especially since his financial base has been depleted by the crisis, but rather reach agreements and "understandings" with various media executives. He and his people like to visit headquarters of various publications and spend a lot of time lobbying for support. Consider Studio 41, the municipal TV station, which also runs the RTK-29 channel. Although the city is a minority shareholder in the Studio, it consistently pursues a pro-mayor line.

Another group, clustered around Channel 4, is run from Moscow. The Channel 4 empire includes a variety of publications, including newspaper *Podrobnosti*, Channel 51, Radio 101, Russian radio, etc. Despite the recent personnel cuts, the Channel 4 empire is financially secure, and its reach spans twelve cities in the oblast, or 2.8 million people of the total oblast population of 5 million.

The third group, controlled by State Duma deputy and another challenger for the governor's job Yevgenii Zyablintsev, includes Channel 10-Guberniya, NTT, Urals Center TV, the newspaper *Novaya khronika*, etc. Of course, Governor Rossel himself has put together a strong media holding, including Oblast TV and the newspaper *Transformation of the Urals*, the namesake of the governor's own political movement.

One candidate for Rossel's seat, State Duma deputy Valerii Yazev, who also heads the oblast branch of Our Home is Russia (NDR), is using his commercial wealth to support a media holding. He has strong ties to Moscow, and claims that Mayor Yurii Luzhkov has promised to him a post in the government if he wins the presidential election. The Yava Corporation, owned by Yazev, runs the newspaper *Novaya gorodskaya gazeta* and the Yava Publishing House. Another businessman, Igor Kovpak, with his chain of supermarkets, is a leading contender for the post of Yekaterinburg mayor. The only newspaper he now owns is the popular evening daily *Vechernie vedomosti*, but given his wealth he will not find a dearth of media companies interested in working with him.

Thus, the main candidates for elective posts are jockeying for positions with the media sources. They are building coalitions and engage in behind-the-scenes negotiations, as well as in public

attacks on each other.

ANOTHER NATIONALIST CANDIDATE TO CHALLENGE MAKASHOV IN SAMARA DISTRICT. Communist member of the State Duma, retired Gen. Albert Makashov, who has gained notoriety recently for his anti-Semitic comments, will face a challenge in the December 1999 State Duma elections from former Samara Deputy Mayor Samara Oleg Kitter. Kitter became famous in Samara during the May-June 1997 mayoral elections, when he ran as a non-Communist opposition candidate. He garnered over 10 percent of the vote, beating out the Communist candidate, and threw his support behind Georgii Limanskii, a member of Aleksandr Lebed's Russian National Republican Party, thus securing Limanskii's ultimate victory.

On 12 January Kitter made several unusually harsh nationalistic statements at a press conference organized to announce the launch of Kitter's own national-patriotic newspaper *Aleks-inform*. As Kitter put it, the newspaper's main goal will be to "explain to Samarans who the Jews are, and how they are different from Kikes and Zionists." Journalists learned soon after the press conference that Kitter might lead the Samara branch of Aleksandr Barkashov's fascist movement, Russian National Unity (RNE). However, the most intriguing fact is that Kitter is considering running for the State Duma in Makashov's district. If so, both candidates would be appealing to the same segment of the electorate, thus splitting the nationalist vote. Governor Konstantin Titov would be happy with such a scenario because that would help him elect a loyal centrist candidate in the district currently represented by Makashov. The likely candidate is Dmitrii Svirkin, an oblast дума deputy and chairman of Yurii Luzhkov's Otechestvo party in the oblast. - Andrei Perla in Samara

SOCIAL ISSUES

BREAD PRICES RISE IN NIZHNI AND IN OTHER REGIONS. Prices for bread and bread products in Nizhnii Novgorod rose by 15 percent last week. The price hike was approved by the oblast administration, which had managed to keep bread prices artificially low only through New Year's. However, the city is protesting the move as illegal and unjustified. The main reason behind the price increase is the higher cost of flour and other ingredients, such as margarine, oil, sugar and yeast. Additionally, most bread factories have been operating at a loss, like many other state enterprises. Raising prices for bread was the only way for them to generate much needed revenue and avoid bankruptcy. Thus, bread-makers were the main initiators of the price increase. However, the city is very unhappy that the oblast had unilaterally approved this step. City officials believe that the oblast should still have some reserves of flour purchased last year, and even if the costs of other ingredients have increased, the total increase in the price of bread should not have exceeded 3-4 percent. Other Russian regions, for example Sverdlovsk and Chelyabinsk oblasts, are in the same situation and also face higher bread prices. In Tula Oblast the authorities are raising prices for bread by 1/3, also due to the two-fold increase in the costs of ingredients as a result of the August financial crisis. - Yurii Rodygin in Nizhnii Novgorod

KURSK RAISES MONEY THROUGH HIGHER UTILITY, TRANSPORT RATES.

On New Year's Eve, the Kurk City Council voted to increase the rates for all types of utility services: rent, water, heat, waste collection, electricity and others. The council members justified their decision by citing a federal law that requires residents to pay at least 50 percent of these services in 1999 (in contrast to 30 percent in 1998). However, in rubles these services will increase not by 20 percent, as one would expect, but nearly twice. The council leaders blamed this sharp increase on the crisis and the ruble devaluation in the last six months. Not everybody across the board will incur the price hike, only those, whose income exceeds 500 rubles per person in the household. The rest will pay old tariffs.

However, the main reason for such a radical decision is the failure of the oblast to pay what it owes to the city budget. Two months ago the city sued the oblast дума, which had blocked the transfer of 120 million rubles to the city. Another source of revenue for the city is revoking privileges to ride public transportation free of charge on weekends for some groups that enjoy these benefits according to federal and local laws. About half of all adults in Kursk and all the children under the age of 16 enjoy these benefits. This measure would help the city avoid raising the general price for public transportation, an unpopular measure the council members want to avoid on the eve of elections this year. Here again the city clashed with the oblast, which had approved these benefits recently. During the first weekend when the benefits were revoked, on 16-17 January, revenues from public transportation increased by 2.5-3 times. - Sergei Sarychev in Kursk

YAKUTIYA SEEKS TO OVERCOME NUCLEAR LEGACY. The government of the Republic of Sakha (Yakutiya) signed a tripartite agreement with the federal Ministry of Atomic Energy and the diamond extracting company ALROSA, defining ways to restore the natural environment on lands formerly used for peaceful nuclear explosions. Between 1974 and 1987, Soviet authorities exploded 12 nuclear devices in Sakha. Six of the explosions were conducted to intensify the flow of oil and gas in the Sredne-Bouobinsk field; one to create an underground oil storage facility; one to help build a dam (dubbed project Kristall); and four explosions to deeply probe the Earth's crust (project Kraton-3). Consequently, nine earthquakes shook the surrounding areas, and two of the explosions were labeled catastrophic.

According to Deputy Minister of Atomic Energy Vladimir Mikhailov, the Kristal explosion, which took place only 2.5 kilometers from the city of Udachnyi, was intended as one in a series of seven, but the catastrophe precluded further explosions. Today the challenge is to fill the cavity in the ground, a project that should not be very expensive. On the other hand, ameliorating the situation in the village of Aikhal, 50 kilometers away from the Kraton explosion, will require a greater investment of resources.

Having signed the agreement, the sides promised to finance a 1996-2000 program securing the ecological rehabilitation of the devastated areas. This republican program is a part of the broader federal program slated to be carried out from 1996-2005 to process and bury

radioactive nuclear waste. Foreign experts, technologies and investment will play an important part in bringing the federal program to fruition. Authorities will continue to monitor public health in the areas of the explosions, uranium extraction and space rocket activities. As Mikhailov promised, there will be no more explosions in Yakutiya. (*Yakutiya*, 15 January) - Oleg Yemelyanov in Yakutsk

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TABLE OF CONTENTS

Breaking News

A Survey of Key Events in Russia's Regions

Patterns of Regional Development

Lebed's Problems Continue To Mount

Court Ruling Unclear on Leningrad Governor's Election

Yekaterinburg Mayor Loses Key Aide to Rival Governor

Ulyanovsk Governor To Consolidate Hold Over Industry

Vladivostok Mayor Barred from Power, Again

Center-Periphery Relations

Komi Must Live Without Federal Aid in 1999

Elections 1999/2000

Saratov Yabloko Faces Internal Trouble

Budget Issues

Sales Tax Boosts Chelyabinsk Oblast Budget Revenues

Political Economy

Court To Rule on Tomskneft Ownership

Irkutsk Oblast Hopes for World Bank Construction Credit

Gazprom and Samara Energo Crack Down on Debtors

Tax Issues

Arkhangelsk Creates Unique Free Economic Zone

Tax Breaks Seek to Boost Production in Saratov

Success Stories

New Manager Revives Volgograd Metals Plant

Inter-Regional Ties

Tver Firms Use Barter To Pay Gas Bill

Yakutiya May Purchase Latest Small Planes from Samara

Foreign Policy

Russian-Belarus Union Finds Support In Yaroslavl Poll

Regional Resources on the Internet

St. Petersburg Politics

Advertisements

EWI Annual Survey of Eastern Europe and the Former Soviet Union, 1997

Transitions Magazine

The Political Almanac of Russia, 1989-1997

BREAKING NEWS

POLITICS

ARTEMEV EXPLAINS DECISION TO BREAK ALLIANCE WITH

YAKOVLEV. Igor Artemev, the St. Petersburg Yabloko leader who recently resigned as the city's first deputy governor, said the last straw that led him to break relations with Governor Vladimir Yakovlev was Yakovlev's creation of a second "Yabloko" party during the city's December legislative elections (see *EWI Russian Regional Report*, 21 January). The voting was marred by dirty tricks designed to deceive local voters. In an interview with *Kommersant Daily* (26 January), Artemev accused the governor of using Goebbels-style propaganda and the techniques of regional leaders like Kalmykiya President Kirsan Ilyumzhinov and Primorskii Krai Governor Yevgenii Nazdratenko to stay in power. Artemev also charged that Yakovlev had taken too many short-term loans to finance "super projects" that would soon threaten the city's financial stability and its ability to pay salaries and pensions. Artemev added that St. Petersburg's governor should be born in the city, noting that Yakovlev had been born in the east Siberian city of Yakutsk. He did not explain, however, that Yakovlev was born there in 1944 after his mother, a Leningrader, had been evacuated during the Nazi siege.

BASHKORTOSTAN LANGUAGE LAW OFFENDS TATARS. The Bashkortostan legislature adopted a law declaring Bashkir and Russian the official languages of the republic on 21 January. The law could damage the usually close ties between Bashkortostan President Murtaz Rakhimov and Tatarstan President Mintimer Shaimiev because Tatar-speakers outnumber Bashkir-speakers in the republic. In Bashkortostan, there are currently 2 million Russians, 1.2 million Tatars and 900,000 Bashkirs. The Tatars in the republic believe that their language should also be a state language. The law still must be approved by the legislature's upper chamber and signed by the president. (*Kommersant Daily*, 22 January)

MORE ARRESTS IN KURSK. Federal authorities arrested the chairman of the Kursk oblast administration's Committee on Agriculture on 21 January. He is charged with

stealing 40 tons of seeds worth 154,000 rubles. (*Kommersant Daily*, 22 January) The authorities have already arrested several other oblast officials, including some of Governor Aleksandr Rutskoi's relatives.

TULA GOVERNOR BACKS CORN SCHEME. Taking a page from Khrushchev's reforms, Tula Governor Valerii Starodubtsev is trying to grow corn in his region. Starodubtsev hatched the idea when he was on a trip to the U.S. state of Utah, where local farmers showed how they profitably used corn to produce pop corn and alcohol. Upon returning home, the governor bought 32 German Klaas combines and some imported seeds. He ordered the local farmers to plant 36,000 hectares with the crop. Unfortunately, the corn did not grow as quickly in Tula as it does in Utah, and, at Starodubtsev's direction, the farmers still had not harvested it when a major snowstorm blanketed the region on 1 November.

The farmers then began racing to collect the corn, but it will now be used mainly as cattle feed. They have harvested 12,000 of the 36,000 hectares and the work continues in January. The project has set the oblast back \$28 million, but Starodubtsev is ready to try again during the upcoming season. He blamed last year's problems on bad weather that only occurs once in ten years. Next time, he plans to use seeds that grow corn in 90 days. (*Kommersant Daily*, 21 January)

KALMYKIYA PARLIAMENT SACKS PRIME MINISTER. The parliament of Kalmykiya (*Narodnyi khural*) on 12 January sacked republican Prime Minister Viktor Baturin, the brother-in-law of Moscow Mayor Yurii Luzhkov. Kalmykiya President Kirsan Ilyumzhinov had appointed Baturin on 1 November. The parliament, in alliance with the mayor of Kalmykiya's capital, Elista, and the leaders of the republic's rural regions teamed up against Baturin because he was trying to impose greater fiscal discipline upon the republic. For example, if Elista received 90 percent of its budget from the republic, he wanted to give local officials freedom to distribute only 10 percent of their funds, according to *Kommersant Daily* on 21 January. The deputies also charged that Baturin wanted to put an end to all transfers, *Nezavisimaya gazeta* reported on 20 January, although he disagreed with that characterization of the situation.

The confrontation put Ilyumzhinov in a difficult position because he felt it important to support the local elite and maintain good ties with Luzhkov. Ultimately, on 17 January, he supported the decision to sack the government and temporarily took on the responsibilities of prime minister himself. He then appointed Baturin as his state advisor, a position that had been held by Ilyumzhinov's older brother.

FEDERAL GOVERNMENT EXAMINES FEDERALISM. Federation Council Speaker Yegor Stroev charged that the "primitive agreements" signed between the federal government and regions have not worked out. Speaking at a 26 January conference on federalism organized by the presidential administration, he claimed that as a result of the government's ineffective work "we have disintegration within the framework of the country." It is necessary to overhaul Russian legislation on federalism to make the country manageable, he said. Minister of Regional Policy Valerii Kirpichnikov said that

his ministry was ready to examine all the treaties and codify the most useful elements. Prime Minister Yevgenii Primakov said he would not support decentralization if regions used their new power to assert their independence. He also called for a moratorium on border disputes between regions, claiming there are 30 such disputes. Primakov said it did not make sense during an election year to talk about reducing the number of regions from the current 89. However, this comment did little to calm the governors who fear they will lose their positions following such a reform. Primakov's words suggested that the federal government would take up plans to reduce the number of regions once the current electoral cycle is over, *Izvestiya* commented (27 January).

LUZHKOV COMPANY TO GAIN SATELLITE WITH NATIONAL RANGE. A subsidiary of the Sistema company, the holding company closely connected to Moscow Mayor Yurii Luzhkov, has signed a 15-year lease with Intersputnik for a satellite that can broadcast to every Russian region but Kamchatka. The satellite will be launched into orbit this summer and be ready for the presidential campaign scheduled for June 2000. Although the details of the contract were not made public, such a lease is commonly \$30 million/year. Usually such satellites are used for setting up fee-based broadcast systems. Luzhkov's TV-Tsent, however, has been unable to expand its regional network due to the economic crisis and may want to use the satellite to expand the range of its broadcasts beyond Moscow. (*Izvestiya*, 22 January) The satellite is a LMI-1 model built by the Lockheed Martin-Intersputnik joint venture.

VOLOGDA TEACHERS SEEK GOVERNOR'S OUSTER. Vologda teachers who have been on strike since 11 January are gathering signatures to remove Governor Vyacheslav Pozgalev. The teachers argue that Pozgalev has made numerous empty promises without accomplishing anything. Many of the teachers have not been paid since last summer and are owed a total sum of 100 million rubles. The teachers are angry that the governor has refused to meet with them. They also were incensed when he announced that he had ensured that all of the oblast's bureaucrats were paid on time. The governor pointed out that local, not oblast, officials pay the teachers and that the local officials were responsible for the teachers' problems. The federal authorities charge that they have sent considerable sums of money to the oblast, but little of it actually reaches the teachers. (*Izvestiya*, 22 January)

ECONOMICS

FIAT PUSHES BACK PLANS IN NIZHNI NOVGOROD. *Kommersant Daily* (22 January), citing the *Financial Times* (21 January), reported that Italian automaker Fiat remains committed to its \$840-million joint venture with the Gorky Automobile Factory (GAZ) but will invest the bulk of the funds several years later than initially planned. Current plans call for producing only 20,000 cars a year, whereas the partners had once hoped to produce 150,000 cars a year by 2002-2003.

Overall Russian car production in 1998 fell 15 percent compared to 1997. The problems were early in the year, however, when domestic carmakers had trouble selling their cars. After the value of the ruble dropped, demand for domestic cars increased while demand

for imports plummeted. The overall number of cars made jumped from 165,000 in the third quarter to 213,000 in the fourth quarter. Samara's AvtoVAZ produced 600,000 cars instead of the planned 720,000 in 1998 (1997 production was 749,500). Planned production for 1999 is 675,000. (*Kommersant Daily*, 20 January)

STROEV REJECTS FURTHER FOREIGN LOANS. Federation Council Speaker Yegor Stroevev said on 22 January that Russia should not accept any further foreign loans. He argued that the country had sufficient "economic and intellectual resources" to survive on its own. Citing the Japanese experience, he suggested stabilizing the situation by having the state take control of the entire financial system and nationalizing the banks. He also suggested forming a "European Union" within the CIS, creating a single currency and economic and customs area. (*Nezavisimaya gazeta*, 23 January)

CATERPILLAR SURVIVES CRISIS. The U.S. Caterpillar company is breaking even in its Russian business despite the on-going crisis, the *Moscow Times* reported on 26 January. The company plans to complete its \$50-million plant in Leningrad Oblast by the end of the year. The firm uses 80 percent local products in the machinery it produces in Russia, helping it to keep costs down. Its main customers are exporters like Gazprom, Norilsk Nickel and Surgutneftegaz, which benefit from the crisis because they sell their products for foreign currency.

PATTERNS OF REGIONAL DEVELOPMENT

LEBED'S PROBLEMS CONTINUE TO MOUNT. The scandal surrounding Governor Aleksandr Lebed's attack on the managers of the Krasnoyarsk Fuel Company (KTK) and the Berezov Coal Mine is far from over (see *EWI Russian Regional Report*, 21 January). Although KTK Director Marat Saitov has disappeared from Krasnoyarsk, the media reported that he appealed to the Russian procurator general to open a criminal case against Lebed for insulting his honor, threatening him with violence, and illegal meddling by the krai administration into KTK's internal affairs.

Indeed, Lebed's shocking remarks and actions last week have paralyzed production at KTK. On 19 January the special police force formed to combat economic crimes raided KTK and searched for incriminating evidence, but on 26 January they were forced to admit that the investigation found nothing illegal.

Additionally, the KTK scandal has polarized the krai's politics. One of the company's founders Oleg Yanovets defended Saitov and publicly challenged the governor to a boxing match. Ignoring this provocation, Lebed appealed straight to the people of Borodino, where the coal mine in question is located. Once again he told them how the mine managers had stolen 42 million rubles, accusing the management of the coal mine and of KTK of engaging in a plot to bankrupt the largest mine in the country. Another move by Lebed was holding a mass meeting of his Honor and Motherland movement and the Russian Shield movement on 21 January. Nearly 4,000 people turned out at the rally. Many came from rural areas of the krai and even from Novosibirsk. Speaking to an enthusiastic crowd of supporters, Lebed denounced the "new masters" of

Russia, who have grabbed everything they could in their greed for enrichment, enslaving the common people. His speech was interrupted by applause numerous times, and in the end of the day the rally adopted a declaration to the krai legislature, warning it that shady forces were at work in the region.

As if in response, the krai assembly almost unanimously passed a law on the regional government. Lebed does not like the text of the law and the sole deputy voting against the draft was his loyal ally, Oleg Nelzin, the leader of the krai Honor and Motherland movement. Nelzin remained in Lebed's camp after the Honor and Motherland movement split, when former movement leader Viktor Zubarev decided to break away from the governor. (Lebed even tried unsuccessfully to appoint Nelzin director of a local TV company, but was barred from doing so by Moscow.)

Zubarev's part of the movement held a meeting in the end of last week, as did Lebed's supporters, so there were two Honor and Motherland meetings taking place simultaneously. Ironically, Zubarev has retained not only a great portion of the members, but also the movement's seal and stationary. Zubarev's meeting voted to transform the Honor and Motherland movement under his command into a local branch of the national movement Strong Regions--Strong Russia. What was left of Lebed's party voted to expel Zubarev from its ranks.

On Friday, 22 January another scandal erupted when a unit of Krasnoyarsk special rapid reaction police forces (SOBR) raided the parliamentary offices of Anatolii Bykov, a krai legislator and the chairman of the Krasnoyarsk Aluminum Plant (KRAZ). Bykov, at one time a Lebedbacker, has since revoked his support for the governor and has become his primary rival for power in the region. After the fact, the SOBR commandos apologized, saying they made a mistake and searched the wrong building, adjacent to their real target. The krai chief of police has ordered an investigation into this matter. - Pavel Avramov in Krasnoyarsk

COURT RULING UNCLEAR ON LENINGRAD GOVERNOR'S ELECTION. The office of Leningrad Oblast governor remains empty, following the resignation of Vadim Gustov, who accepted Viktor Primakov's invitation to join the federal government as first deputy prime minister for regional, CIS and youth policies. The oblast Legislative Assembly had set the new election for September 1999. On 19 January, however, a St. Petersburg court repealed the assembly's action, but did not offer any further guidance. The legislators must now reconsider the issue and set a new date. - Marina Makova in St. Petersburg

YEKATERINBURG MAYOR LOSES KEY AIDE TO RIVAL GOVERNOR. A startling move by the Sverdlovsk Oblast governor has erupted into one of the biggest political scandals for the region's political establishment. Governor Eduard Rossel has appointed Aleksandr Kobernichenko deputy chairman of government for relations with public, religious, and youth organizations. Until this appointment, Kobernichenko was the chief of staff and deputy for organizational and analytical work for Yekaterinburg Mayor Arkadii Chernetskii, a political rival of the governor. For most oblast residents

this is a career move from one bureaucratic structure to another. However, in the eyes of the political establishment, the mayor's "right hand" man has abandoned his former patron for a rival, taking a position formerly occupied by the main ideologue of the regional "party of power," Anatolii Gaida.

Nobody could have expected such a move. Rumors that Kobernichenko was having problems in the mayor's team have circulated for some time, and some observers even blame Kobernichenko's departure on a conflict with another of the mayor's assistants over the question of whether Chernetskii should challenge Rossel for governor in the August elections. At the same time, Kobernichenko has long served as the mayor's contact person with the governor's administration, and, in this capacity, has had the opportunity to work with the rival camp. What makes Kobernichenko's step so staggering is that it is not an opportunistic bureaucratic transfer, but a defection by one side's ideologist to the enemy camp. The effect of the move is all the more crushing because it happened virtually on the eve of the race for the governor's post. Questions mount whether Chernetskii will run, now that his former "gray cardinal" is banking on his opponent.

All sides to the scandal are in a difficult situation. The mayor's team is embarrassed because it let such a valuable player be seduced by the other side. In turn, the governor's people appear to be ready to take in a defector in order to gain valuable information about the opponents' strategies. Kobernichenko himself will be now working against his former boss, and is risking being tarred with the "Judas" label forever. Of course, officially both sides cite professional reasons for the move. One must remember, however, that Kobernichenko has taken a similar step before. In 1992 he defected from the staff of the head of the city council, then led by Yurii Samarin, to Mayor Chernetskii's team, thus shifting the political balance of power in the city in the mayor's favor. - Natalia Mints in Yekaterinburg

ULYANOVSK GOVERNOR TO CONSOLIDATE HOLD OVER INDUSTRY. At a meeting of state representatives to various joint stock enterprises in Ulyanovsk Oblast, the main agenda item was how to insure that the government controls a blocking stake of shares (25 percent) at each enterprise. This objective is a lynchpin of the economic strategy outlined by the oblast Governor Yurii Goryachev in his recent letter to the regional assembly. The governor, well known for his criticism of national privatization and reform policies, announced that the state will take a stronger role in managing the economy. According to the oblast's chief economist, the regional government will increase its control over industry by acquiring a controlling stake in major enterprises. Largely, this will be done through a "tax debt for shares" swap, whereby enterprises will transfer some of their shares to the oblast instead of paying mounting taxes arrears.

As the data published by the oblast property fund in *Narodnaya gazeta* (22 January) reveals, there are 180 enterprises in the oblast with partial state ownership. Of those, the state owns over 51 percent of the shares in 21 cases, over 25 percent in 85 cases, and over 20 percent in 29 cases. As of 1998, fully- or partially-privatized enterprises accounted for 92 percent of all production in the oblast. Naturally, the oblast administration is

hoping to augment its revenue stream with dividends from the industrial shares. - Sergei Gogin in Ulyanovsk

VLADIVOSTOK MAYOR BARRED FROM POWER, AGAIN. Despite his overwhelming victory at the polls, embattled former Vladivostok Mayor Viktor Cherepkov is still barred from power. His supporters won 14 out of 16 seats elected on in the 17 January elections, although in 5 more districts, voter turnout was too low to validate the elections. Acting Mayor Yurii Kopylov, a Cherepkov rival appointed by Governor Yevgenii Nazdratenko, immediately warned that city residents could expect some more "surprises." So, it was not a shock when a few days later all the Vladivostok courts were flooded with appeals about various campaign rule violations. On 26 January, five days after the deadline, the electoral commission announced the official results. However, of 16 apparent winners, only 10 victories were not disputed. The other six have to wait decisions from either courts or the electoral commission. Thus, the Duma does not have the required two-thirds quorum and cannot therefore commence its work until the rulings on the remaining seats are made. Practice shows that in Russia courts can take years to make a ruling.

Nevertheless, the 16 apparently victorious candidates decided not to wait for the courts and held the first city Duma meeting, albeit without their official mandates from the electoral commission. As the first order of business, the deputies adopted a new city charter and elected Viktor Cherepkov both the speaker of the Duma and the city mayor. After that Cherepkov and the deputies flew out to Moscow to seek support.

These actions only confused the situation further. The Duma's only claim to legitimacy were the mandates issued to the deputies by the district electoral commissions, and the fact that the city electoral commission has failed to produce the official mandates did not seem to deter the Duma. The presidential administration has announced that in its opinion the city charter was passed with procedural violations and therefore Cherepkov's election as mayor cannot be considered legitimate. And a court in Vladivostok has ruled that the charter and the election of Cherepkov as mayor are illegal because those decisions were adopted without the necessary quorum.

In any case, all these maneuverings was supposed to end on 27 January when the Russian Supreme Court was scheduled to hear Cherepkov's case against Yeltsin. Cherepkov feels that Yeltsin's 11 December 1998 decree removing the mayor from office violates four articles of the Constitution and three articles in a federal law. However, the hearing was rescheduled for 4 February because Yeltsin's attorney was too ill to argue on the president's behalf. In 1994 Yeltsin also dismissed Cherepkov from his post, but the mayor was ultimately reinstated in 1996 by a Moscow court. - Yevgenii Popravko in Vladivostok

CENTER-PERIPHERY RELATIONS

KOMI MUST LIVE WITHOUT FEDERAL AID IN 1999. The only question on the agenda for the 21 January meeting of the Komi Republic's cabinet of ministers was the

proposed 1999 republican budget. Because the budget had been discussed by various lower government agencies, the cabinet quickly approved the draft. The government is optimistic about raising enough revenues to meet its obligations, because in the last several months the republic has had record rates of tax collection. During November and December of 1998 the republican tax service collected almost 40 percent of all the taxes collected during the entire year (*Respublika*, 22 January).

The republican legislature, the State Council, met on 22 January to discuss and adopt the budget, which was also the only item on the agenda. This whole process is being slowed because many figures in the regional budget depend on the transfer amounts specified in the federal budget, which is still under discussion in the State Duma. While budget revenues are set for 3.052 billion rubles, the republic plans to spend 3.799 billion rubles, running a 25 percent deficit, 746.7 million ruble lower than the year before. However, this does not mark an improvement, because in absolute terms the 1999 budget is smaller than its predecessor (*Krasnoe znamya*, 22 January).

One of the major challenges in 1999 will be the lack of federal subsidies to the republic. According to the newly approved scheme of transfers (the 14 percent of all federal taxes that the federal government redistributes among regions), the Komi Republic will receive nothing. The republic would have had better chances for obtaining subsidies had it been included on the "needy regions" list, but the federal government excluded it and the republican leadership did not object. The republican parliament has passed the draft budget in the first reading, however it is already clear that the republic will have a tough time executing it. Although there has been a marginal increase in production in Komi, there are no guarantees that tax revenues will be collected in full. - Yurii Shabaev in Syktyvkar

ELECTIONS 1999/2000

SARATOV YABLOKO FACES INTERNAL TROUBLE. The regional organization of Yabloko is on the verge of a split in Saratov Oblast. The dispute comes at a bad time because the party's national leadership would like to unify its ranks before the State Duma elections in December. The scandal has grown so large that one of the party's national leaders, Vladimir Averchev, who came to Saratov to look into the problem, threatened to dissolve the regional branch if the passions are not calmed.

According to the rank-and-file members, the leader of the regional branch Anatolii Rodionov caused the split with his duplicitous policies seeking to please both the party headquarters and the regional administration. Yabloko has a reputation for opposing strong executive authorities both on the national and on the regional levels. However, the Saratov Yabloko members find their movement working closely with Governor Dmitrii Ayatskov. For example, Rodionov co-authored the so-called "Agreement on Civic Peace and Social Partnership" masterminded by Ayatskov and approved at the end of last year by the oblast government and parties and civic organizations in the region. Among other things, the document restricted freedom of speech and provided for the coordination of the parties' electoral strategies with the governor's office. Naturally, a number of

organizations have refused to commit to what would amount to tacit backing for the governor.

Moreover, Rodionov has been accused of political negligence. He recommended that his party support a candidate for the State Duma who later turned out to be a former convict. This scandal compounded Yabloko's poor reputation in the region: despite its hard campaigning the party has not been able to elect any of its candidates. The last straw, however, was the agreement between Rodionov and the Astrakhan Oblast Yabloko branch to run a joint campaign for the State Duma. Of course, on the drafted party list the top spots went to the Yabloko members from Astrakhan, virtually denying any Saratov party members a chance of entering the national parliament. Seemingly a mere technicality, this would have ensured that Saratov's governor would not have to deal with any Yabloko deputies to the State Duma in his region. Right now the movement is deciding when to hold a regional conference, which will be attended by high-level party chiefs from Moscow. - Yuliya Eliseeva in Saratov

BUDGET ISSUES

SALES TAX BOOSTS CHELYABINSK OBLAST BUDGET REVENUES. Since the oblast passed its sales tax on 1 October 1998, the region's consolidated budget has collected an additional 123 million rubles, or 20 million rubles more than the administration's projections. According to the governor's press service, such record collection rates should be attributed to the exceptional job on the part of the oblast tax collectors. Last year the regional administration created 247 task forces in the oblast's cities and raions to collect taxes, and 89 of those included the police, while 26 involved the tax police. As a result of 11,349 inspections at various organizations, the task forces helped the oblast collect an additional 48.7 million rubles. These new revenues will be used to pay wages to the public sector employees. - Igor Stepanov in Chelyabinsk

POLITICAL ECONOMY

COURT TO RULE ON TOMSKNEFT OWNERSHIP. The dispute over ownership of Tomskneft oil company is escalating into a scandal, and a court will have to decide who owns 38 percent of the company's shares sold by the Yukos oil giant to three Cyprus-based companies. Yukos's critics claim that the company had no right to sell these shares for three reasons. First, a portion of the shares had been frozen due to the company's overdue \$25 million debt to the Swiss company Birkenholz C.A.. Second, the process of privatizing the Eastern Oil Company (VNK), of which Tomskneft is still a part, has not been completed, so no further sale can take place. Third, nobody can sell any part of the company without approval from the board of directors, one of the members of which is Tomsk Governor Viktor Kress. Needless to say, the board never approved such a sale. Finally, there are no documents proving that the sale of the shares ever took place, and Yukos's name is not even in the registry of the company's owners. According to *Kommersant Daily* (20 January), Yukos owns 20 percent of Tomskneft, while VNK owns 32 percent, Cypress-based Acirota owns 13.9 percent and the rest

belongs to 21,000 small shareholders. In 1998 Tomskneft extracted 10.5 million tons of oil.

In this battle, the minority shareholders in Tomskneft are making common cause with Acirota against Yukos. Their goal is to prove the illegal nature of Yukos's actions and rid the oblast of another parasite. To prove the latter charge, Acirota and its allies have produced a meeting agenda, which shows that the VNK management had agreed to sell crude oil to Yukos at a fraction of the production cost. Naturally, Yukos would sell it at the market price, pocket the profit. To make matters worse, Yukos would not even pay oblast taxes since it was not registered in Tomsk. This is only one of numerous accusations against Yukos, which in turn has plenty of charges against Acirota. Currently, each side to the dispute has set up its own board of directors and appointed its own general director for Tomskneft. Acirota chose Vlaentin Demidov, who also heads the oil and gas department in the oblast administration, for this post. Yukos appointed its own ally, Leonid Filimonov, to lead Tomskneft.

Given this background, the question of state control over VNK's shares has become especially significant. Today 36 percent of the company belongs to the federal government, which has resisted several overtures by the oblast to transfer the shares to the region. At the last meeting of the Siberian Accord interregional association (15-16 January), the federal government signed a deal transferring state ownership of Kemerovo coal mines to the regional administration. The Tomsk delegation tried to probe the federal government, specifically Fuel and Energy Minister Sergei Generalov, on the possibility of transferring VNK shares to the oblast. Given the government's broader effort to achieve compromise with the regions in exchange for backing the new budget, Tomsk might have a good chance to acquire this property. Much will depend on the oblast officials in charge of the oil industry. - Andrei Bondarenko in Tomsk

IRKUTSK OBLAST HOPES FOR WORLD BANK CONSTRUCTION CREDIT.

At the recent Harvard symposium on investment opportunities in Russia, the World Bank announced its plan to infuse \$550 million into the Russian construction industry, according to Irkutsk Oblast Deputy Governor Valentin Mazhevich on 26 January. He led the Irkutsk delegation to the 14-16 January symposium. The World Bank money will channel the credits only toward regions with developed mortgage programs. Irkutsk Oblast is now working out its own mortgage legislation.

Machevich believes that Moscow can count on \$200 million of the World Bank money, while Irkutsk can hope to obtain \$50 million. However, these hopes will only materialize after experts give high marks to the oblast mortgage lending program. The Irkutsk Oblast administration will work all year on this program. During their trip to Harvard, the Irkutsk delegation made contact with scholars who can help the region develop mortgage lending. More meetings with Harvard experts will take place in the future, and it is possible that the oblast will obtain a grant from US sources to develop the mortgage lending proposal. - Teleinform in Irkutsk

GAZPROM AND SAMARA ENERGO CRACK DOWN ON DEBTORS. Regional heat and electricity provider Samaraenergo and Gazprom's subsidiary in charge of collecting debts, Mezhrefiongaz, have decided to join forces in bankrupting delinquent customers in Samara. Such an alliance is unique for Russia, because normally the gas monopolist Gazprom is at odds with the nation's electricity companies, which owe back payments to the gas provider. Until recently this was the case in Samara as well: in 1998 Gazprom reduced gas supplies to Samaraenergo because of its 1.7 billion rubles debt. By last summer Mezhrefiongaz was about to sue several of Samaraenergo's power plants. Now the situation is different, as both natural monopolies have agreed to put joint pressure on Samaraenergo's own delinquent clients, up to bankrupting them in court. These measures should help the oblast avoid an energy crisis. - Andrei Perla in Samara

TAX ISSUES

ARKHANGELSK CREATES UNIQUE FREE ECONOMIC ZONE. A law recently passed by the Arkhangelsk Oblast assembly created a regional free enterprise zone, where businesses will enjoy various tax holidays and the oblast will provide incentives for investment. The zone's main goal will be development of the region's transportation infrastructure, including re-engaging the Northern Sea Route and revitalizing the Arkhangelsk Seaport. Businesses that choose to operate in the zone will be freed from property and profit taxes. According to oblast experts, the Arkhangelsk zone is unique in Russia. First, it offers no federal tax breaks, only regional benefits, and is designed to attract only private capital. Second, tax benefits will be extended only to several selected enterprises, deemed essential for the oblast economy. The zone's directors are hoping to attract the first investment by spring. - Marina Makova in St. Petersburg

TAX BREAKS SEEK TO BOOST PRODUCTION IN SARATOV. As a part of the oblast program to develop regional industry and support local producers, at the end of last year the Saratov Oblast Duma passed a law supporting enterprises that show growth above projected rates and create new jobs. Under the auspices of this law, the oblast government has begun signing agreements on social and economic cooperation with oblast enterprises. Basically, the oblast offers tax holidays on property, profit and road use to companies that promise to increase their production above what was projected for 1999. In essence, while the enterprises gain much needed capital, the oblast secures a stronger industrial base, which can be taxed later. Before the oblast adopted this policy, it ran a pilot study at a local producer of oil pumps. That plant was able to double its workforce and increase profitability thanks to a tax break from the oblast.

At the 23 January meeting of the governor's industrial policy council and the commission on industrial stabilization, the oblast considered potential recipients of tax breaks. Only 19 enterprises were able to make a convincing case. They include the British American Tobacco joint venture, the Saratov Hardware Plant, the Saratov Aircraft Plant, Nitkan-Pokrovsk, Korpus, the Radio Equipment Plant, Trolza trolley-bus maker, Balakovoreinotekhnika and others. Oblast officials hope that tax breaks to these companies will result in production growth 6.5 percent above projections. - Yuliya Eliseeva in Saratov

SUCCESS STORIES

NEW MANAGER REVIVES VOLGOGRAD METALS PLANT. An innovative new manager has brought the Volgograd Red October Metallurgical Plant back from the dead. Red October celebrated its centennial in 1998 without much joy. Since the beginning of the reform era, the plant had given oblast and city leaders headaches and made life even more difficult for its thousands of employees. The entire Krasnooktyabrskii city district, which is named for the plant, suffered from the plunge in demand for Volgograd steel and the subsequent closing of the plant. Red October was declared legally bankrupt in 1997. That legal maneuver did not help the huge enterprise recover, and its workers did not see their wages for many months. The authorities compared the plant to a "suitcase without a handle" - it was hard to carry, but too valuable to throw away. Because of the plant's problems, the Red October District consistently backed Communist candidates during election campaigns.

Alexandr Rogov took over the plant in mid-summer 1998, following animated debates among the main shareholders. To everyone's surprise, Rogov has managed to improve the situation at the factory. The plant began 1998 with zero production, but in December it produced 14.5 thousand tons of liquid steel, 10.3 thousand tons of ready-rolled steel, and 400 tons of calibrated-rolled steel. Exports in December were five times as large as in September, and the plant will export 7,000 tons of metal in January. Average wages at the plant are now 1,300 rubles per month - not bad for Volgograd, even if workers last received their pay in September. (At the neighboring military plant, Barrikady, where the situation was never as bad as it had been at Red October, the workers were last paid in March.)

Rogov ambitiously hopes to increase production five-fold during 1999. Red October's main problem now is that it lacks capital. Rogov admits that despite the positive tendencies, the plant still has financial problems and, under current conditions, is unlikely to attract any investors. However, he hopes to begin looking for investors by the end of 1999. And so far, Rogov has fulfilled his plans. - Ivan Kurilla in Volgograd

INTER-REGIONAL TIES

TVER FIRMS USE BARTER TO PAY GAS BILL. As in the rest of Russia, Tver Oblast enterprises lack the money to pay for the natural gas they burn. Gazprom's subsidiary Mezhrefiongaz has taken the lead in helping local manufacturers pay for gas through barter deals. In effect, Mezhrefiongaz acts as a middleman in exchanging goods between gas-exporting regions of the Russian Far North and the gas consumers in Central Russia. For example, the Upper Volga Hen Factory supplies Ukhta (Komi Republic) with chicken meat, while Tveriteks textile factory sends knitted garments there. Tversteklo is sending lamps and lanterns to Novyi Urengoi in Yamal-Nenets Autonomous Okrug. The Kolorit company in Rzhev, Tver Oblast barter gas for carpets. Many other regional enterprises take advantage of barter and the services of Mezhrefiongaz to pay for their gas bills with their own products. Altogether,

Mezhregiongaz has shipped over 45 million rubles worth of industrial and agricultural products to the North (*Veche Tveri*, 22 January).

Mezhregiongaz is also dealing with the gas debts of farming enterprises by helping them send vegetables to the Northern regions in lieu of payments for their gas bills. In essence, Mezhregiongaz is filling the void left by the producers' inability to market their own goods. As a result, the North is receiving much needed agricultural and industrial goods, while the producers from Central Russia gain customers for their products. Although it is not an efficient way to run the economy, these barter deals help enterprises stay afloat. In some cases, the practice creates new jobs and productive growth. - Boris Goubman in Tver

YAKUTIYA MAY PURCHASE LATEST SMALL PLANES FROM SAMARA.

This year Samara's airplane manufacturer, Aviakor, will begin producing a new AN-140 model of airplanes, designed to replace the AN-24 model, which has been in operation for over 40 years in some 24 countries of the world. By the year 2000 all existing AN-24 models will have outlived their useful life. According to Aviakor President Lev Khasis, Yakutiya's Sakha Airlines might be the first to receive ten AN-140 planes. The deal is a part of a larger agreement between the leaders of Sakha Republic (Yakutiya) and Samara Oblast. The new plane is designed to travel short and medium-length distances at 750-800 km/hour, or 1.2 times faster than the AN-24. Additionally, it can carry 52 passengers and cover a distance of 3,700 kilometers. Although it will require a runway 1.5 longer than that used by the AN-24, the AN-140 will burn fuel two times more efficiently per passenger/kilometer. Each unit will cost about \$6-7 million. (*Yakutiya*, 20 January) - Oleg Emelyanov in Yakutsk

FOREIGN POLICY

RUSSIAN-BELARUS UNION FINDS SUPPORT IN YAROSLAVL POLL.

According to results of a public opinion survey published by the newspaper *Zolotoe koltso* on 22 January, most residents of Yaroslavl overwhelmingly support the idea of a Russia-Belarusian union. As in a similar survey last year, 75 percent of Yaroslavl residents said they welcome the union. Opinions differ, however, on who should lead the future union. Moscow Mayor Yurii Luzhkov garnered 15 percent support, while Belarus President Alyaksandr Lukashenka mustered only 13 percent. While 9 percent see Russian Prime Minister Yevgenii Primakov as a potential head of the union, only 3 percent support current Russian President Boris Yeltsin. Curiously, 42 percent do not see any of the current politicians as a good candidate for leadership of the union, and nobody picked Communist Leader Gennadii Zyuganov. Answering the question "What could be the consequences of the union?" respondents said: an enhanced defense capability for Russia (65 percent); a weaker Russian economy (32 percent); and a stronger ruble (11.5 percent). - Ilya Kravchenko in Yaroslavl

REGIONAL RESOURCES ON THE INTERNET

(<http://www.politics.spb.ru>) - This site includes analyses of the latest developments in St. Petersburg politics.

CORRECTION: Last week the RRR editors failed to identify Pavel Avramov, our Krasnoyarsk-based correspondent, as the author of the article "Lebed Loses Temper Over Krasnoyarsk Coal Supply." We apologize for this oversight.

CORRECTION: Last week the RRR incorrectly reported that the "power-sharing treaty signed by the federal government and Tatarstan on 15 February 1994 will expire after five years on 15 February 1999." However, as Columbia University Professor Steven Solnick points out, in fact there is one treaty (*Dogovor*) between the Tatar and Russian Federal governments, and twelve agreements (*Soglasheniia*) negotiated as part of the same overall process. The 15 February 1994 treaty, in Article 9, declares that the treaty may not be "cancelled, changed or modified unilaterally." There is no expiration date or term. Most of the accompanying agreements are for five-year terms and renew automatically unless one side proposes termination. However, the agreement "On Budgetary Relations," which defines tax sharing rates for several taxes and specifies that the value-added tax (VAT) sharing rates are to be annually negotiated, simply has a term of five years. It was signed on 15 February 1994 and will expire next month. Thus, the uncertainty over tax-sharing rates for 1999 stems from the only bilateral agreement that lacks an automatic renewal clause. It is, however, important to recognize that the higher-level bilateral treaty and a series of other important agreements remain in force.

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Michael McFaul co-chairs the Russian Domestic Politics and Political Institutions Project at the Carnegie Endowment for International Peace. He is also an assistant professor of political science and a Hoover fellow at Stanford University, specializing in political and economic reform in post-Communist countries. Dr. McFaul received his B.A. in international relations and Slavic languages and his M.A. in Slavic and Eastern European studies from Stanford University. He was a Rhodes scholar at Oxford University, where he received his Ph.D. He is the author and editor of several books including, with Sergei Markov, *The Troubled Birth of Russian Democracy: Political parties, Programs, and Profiles*, *Post-Communist Politics: Democratic Prospects in Russia and Eastern Europe* and *Russia's 1996 Presidential Election: The End of Polarized Politics*. A frequent commentator on Russian politics, he has also published articles in *Foreign Affairs*, *Foreign Policy*, *The New Republic*, *The New York Times*, *The Washington Post*, *Moscow Times*, *Post-Soviet Affairs*, *Journal of Democracy*, *World Politics*, *International Organization*, and *International Security*.

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To order *The Political Almanac of Russia 1989-1997*, please contact Natalia Udalova at the Carnegie Endowment for International Peace by phone at 202-939-2283, by fax at 202-483-3389, or by email at natasha@ceip.org.

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in Russia's Regions

Patterns of Regional Development

Lebed Rapidly Losing Control over Krasnoyarsk Industry, Media

Saratov Governor Faces Opposition Within His Own Team

Voronezh Governor Names Controversial Prime Minister

Tver's Former Deputy Governor Convicted, Plans To Appeal

Elections 1999/2000

Samara's Governor Titov Creates Own Regional Bloc

Luzhkov Picks Governor's Foe To Head Primorskii Krai Otechestvo

Political Economy

Nizhnii Novgorod Raises Rents for Businesses, Causing Price Hikes

Tomsk Industry Struggles To Survive after Crisis and Conversion

Foreign Ties

Federation Council Divided Over Friendship Treaty with Ukraine

Omsk Oblast Limits Food Exports to Kazakhstan

Advertisements

Annual Survey of Eastern Europe and the Former Soviet Union 1997

Transitions Magazine

The Political Almanac of Russia, 1989-1997

BREAKING NEWS

POLITICS

RUSSIAN NATIONAL UNITY MARCHES IN MOSCOW. About 200 members of the extremist Russian National Unity (RNE) marched in Moscow on 31 January. The group marched to demonstrate that it could operate in Moscow after Mayor Yurii Luzhkov prohibited it from meeting in the city on 15 December 1998. At the end of last year, party leader Aleksandr Barkashov had threatened to bring 100,000 of his supporters to the city in the spring (*EWI Russian Regional Report*, 22 December 1998). Although the mayor had tried to bring legal proceedings against Barkashov, the city procurator could find nothing illegal in Barkashov's words and dropped the case in January. Luzhkov denounced the 31 January march as "unprecedented insolence" on 1 February. *KommersantDaily* (2 February)

Only 0.3 percent of the Russian population support RNE. The group has about 20,000-30,000 members across the country. *Kommersant Daily* pointed out, however, that 43 percent of the respondents in a recent poll expressed support for such slogans as "Russia for the Russians."

Following the march, the Moscow media criticized the police for not taking action against the gathering. President Yeltsin's anger at Procurator General Yurii Skuratov on this issue contributed to Skuratov's decision to resign on 3 February. A more pressing factor in Skuratov's decision, however, was the government's battle against magnate Boris Berezovskii.

AFTER REORGANIZATION, PRESIDENTIAL STAFF LACKS REGIONAL COORDINATOR. Following President Boris Yeltsin's decision to streamline his staff, it remains unclear who will head the Main Department, which coordinates the activities of the president's representatives in the regions and issues concerning local governments. All that is certain is that First Deputy Chief of Staff Oleg Sysuev will continue to oversee the department. Although the presidential administration once monopolized center-periphery relations, it has given up much of that authority since last fall. (*Kommersant Daily*, 2 February)

ZHIRINOVSKY PROTESTS LENINGRAD ELECTION DECISION. Liberal Democratic Party of Russia leader Vladimir Zhirinovsky filed an appeal asking the Supreme Court to overturn a ruling by the Leningrad Oblast court that allows the region's gubernatorial elections to be held on 19 September (see *EWI Russian Regional Report*, 28 January). In its ruling, the oblast court overturned the regional legislature's recent amendments to the oblast law on elections, but let the date stand. Zhirinovsky wants the elections held earlier because his party is rapidly gaining support in the economically depressed region. Zhirinovsky also announced that he will run for governor in Sverdlovsk Oblast, where elections are set for August. Zhirinovsky is seeking a governorship, which would entitle him to a seat in the Federation Council, possibly because some projections show that his party will not cross the 5 percent threshold to enter the State Duma in the December elections. (*Izvestiya*, 2 February)

NOVOSIBIRSK GOVERNOR BATTLES MAYOR. Novosibirsk residents recently gained a free newspaper, *Sibirskii kharakter* (print-run: 100,000), the main purpose of which is to praise Governor Vitalii Mukha, especially by noting why he is a better leader than Novosibirsk Mayor Viktor Tolokonskii. The two politicians have very different styles: Tolokonskii is adept at using the media to win the sympathy of his constituents, while the governor generally views the media as a factor limiting his effectiveness. Although the tension between the governor and mayor had long been apparent, the governor had ignored it until recently. It is not clear how the paper is funded. However, Russian TV recently quoted Deputy Prime Minister Valentin Matvienko as saying that Mukha had used federal money sent to Novosibirsk Oblast to pay public sector workers for campaign activities. (*Nezavisimaya gazeta*, 29 January)

ECONOMICS

YUKOS, SAMARA WORK OUT DIFFERENCES. For much of 1998 the Samara Oblast authorities and the YUKOS oil company were at loggerheads: the oil company owed the region a large sum in back taxes; it had not paid its workers' full salaries in a long time, and the oblast authorities disliked the way the company was restructuring its facilities. In 1998, Samaraneftgaz recovered 8 million tons of crude, down considerably from the 35 tons a year in the early 1970s. Given the difficult situations facing the region and the company, both sides agreed that they had to work together. Samara agreed to lower the rate it charges the oil company for the right to extract oil, while the company agreed to work at 26 barely profitable sites in order to preserve jobs. (*Izvestiya*, 3 February)

CHELYABINSK TRACTOR AUCTION FAILS. An auction to sell off the bankrupt Chelyabinsk Tractor Factory, once the largest in Europe, has failed, and now the factory may be sold in pieces. The asking price for the factory was an astronomical 3 billion rubles, which is the amount owed to the plant's creditors. Any buyer would have to invest much more to make the plant profitable. Most of the factory's valuable equipment has been stolen and the remaining workers frequently show up drunk. No one offered a bid in the competition.

The factory was built in 1933 and was considered one of the Soviet Union's great achievements, with the ability to produce 60,000 tractors a year. In the 1960s-1980s, it produced 30,000 tractors annually, but production fell to below 10 percent of the previous levels in the 1990s. The factory was declared bankrupt in 1997. (*Kommersant Daily*, 2 February)

NOVOLIPETSK SHAREHOLDERS BATTLE OVER NEW ISSUE. After having finally pushed the Trans World Group out of the management of the Novolipetsk Metallurgical Combine, the alliance between MFK-Renaissance and Cambridge Capital Management (CCM) has now come apart (*EWI Russian Regional Report*, 6 August 1998). MFK-Renaissance and its allies now own 71 percent of the plant's stock (including a 36 percent share sold by Trans World), while CCM controls 17 percent. Other western investors own the remaining 12 percent. The MFK-controlled board decided on 27 January to sell an additional \$150 million worth of stock, limiting buyers

to current shareholders. To maintain the size of its stake, CCM would have to buy at least \$25 million of the issue, *Kommersant Daily* (30 January) reported. The newspaper also reported that CCM originally paid \$1 million for its stake, so buying the new shares would be an enormous commitment, especially since last year the fund wrote off its Russian investments as losses. MFK will likely buy the shares if CCM does not. Novolipetsk is Russia's third-largest steel producer and produced high quality rolled steel products.

PROGRESS, REVERSES ON PRODUCTION SHARING. On 27 January, the Federation Council approved amendments to the production-sharing law, which allows investors to pay taxes with some of the mineral resources they recover and eliminates customs duties on equipment imported to carry out projects. The Duma is now deliberating which projects are eligible for the deals. Already the Tailokovskoe, Polunekhskoe and Ai-Yaunskoe oil fields have been cut from the list because the Khanti-Mansi Autonomous Okrug and Tyumen Oblast, of which the okrug is a part, cannot agree on who has jurisdiction over them. Duma members fear similar conflicts will arise over deposits straddling regional borders between Arkhangelsk Oblast and the Nenets Autonomous Okrug and Krasnoyarsk Krai and the Evenk Autonomous Okrug. (*Kommersant Daily*, 28 January)

YAROSLAVL DEFAULTS ON DEBTS. Yaroslavl Oblast has defaulted on its 57.8 million ruble debt to SBS-Agro Bank. As a way to cover the debt, the oblast will accept the bank's veksel (promissory notes) for debts owed it by other organizations. This move will particularly benefit those who bought up SBS-Agro veksel last year at bargain prices. The oblast government has decided to use the cash it is collecting to pay the salaries and pensions of public sector employees rather than cover the debt. Nevertheless, as of 1 January, the oblast owed 145 million rubles to public sector employees. (*Nezavisimaya gazeta*, 30 January)

PATTERNS OF REGIONAL DEVELOPMENT

LEBED RAPIDLY LOSING CONTROL OVER KRASNOYARSK INDUSTRY, MEDIA. The "Coal War" is what local journalists have dubbed the ongoing battle surrounding Krasnoyarsk Krai's coal industry. The real conflict, however, is between Governor Aleksandr Lebed and his former backer and now rival Anatolii Bykov, the chairman of the Krasnoyarsk Aluminum Plant (KrAZ) board of directors and a krai legislator. Obviously, Lebed has underestimated the strength of Bykov's camp, as illustrated by the myriad scandals involving coal companies, mines, processing plants, financial groups and private individuals, all designed to sabotage the governor's power.

It is now clear that Bykov not only commands money as a counterweight to the governor's political power, but he also has a wide network of supporters throughout the region and in Moscow. Using his contacts, including some in the law enforcement agencies, Bykov has de-facto created a parallel power structure that rivals the krai administration's capacity to govern the region. When Lebed recently said that the krai's vodka, tobacco and retail businesses are under the firm control of the shadow economy, he probably had Bykov in mind. The regional police chief, General Boris Petrunin, is not

a Lebed ally either, having endured several raids and inspections ordered by the administration.

Last week the governor lost another battle, when a candidate backed by Bykov won the mayoral race in the city of Achinsk, defeating the acting mayor, Nikolai Ashpalov, who had been appointed by Lebed. This is a significant setback because the Achinsk is one of the largest creditors of the Achinsk Alumina Combine (AGK), now run by the court-appointed external manager Nail Nasyrov. Not long before the elections, investigators accused Nasyrov of selling alumina for the artificially low price of \$110 per ton, instead of \$200-\$240 per ton. Lebed's candidate Ashpalov repeatedly accused Nasyrov of channeling money from the krai to off-shore accounts. Indeed, had Nasyrov sold the alumina for the real price, AGK could have paid off in one month the many years worth of unpaid salaries owed its workers, Ashpolov charged.

Lebed is losing the information battle in the krai as well. Virtually all TV broadcasters in the region are run by his opponents (the director of the Krasnoyarsk State TV Company was appointed by Moscow; Afontovo TV is run by backers of the former Governor Valerii Zubov, and Bykov controls the TVK station). All three are hard at work destroying the governor's public image. Lebed confronts the same problems with newspapers, especially *Honor and Motherland*, the organ of a group from his own political party that has now turned on the governor. The krai Legislative Assembly has been at odds with the governor as well. Most recently it passed a law on the regional government, significantly curtailing the governor's powers. Lebed immediately promised to veto the bill. However, the assembly is likely to override the veto, further damaging Lebed's authority.

When asked to describe the core of his conflict with Bykov, Lebed summarized it in two words: "electricity rates." Bykov's aluminum factory needs cheap electricity to assure profitability. He also produced a document that alleged that KrAZ was paying only 0.8 cents per kilowatt hour of electricity, whereas the krai administration wanted the tariff to be 1.05 cents per kilowatt hour. Because KrAZ was paying 0.8 cents during all of 1998, the regional utility company Krasenergo lost 1.5 billion rubles, Lebed said, although it was unclear whether he was referring to old (1997) or new rubles.

Lebed has criticized as criminal Bykov's plans to create the Krasnoyarsk Energy-Coal-Metal Company, uniting the five largest enterprises in the region. The holding's charter capital would include 94 percent of KrAZ's shares, 56 percent of AGK, 48.5 percent of the Krasnoyarsk Hydro Power Plant, 38.5 percent of the Krasugol coal mining company, and 52 percent of the Krasnoyarsk Metal Works. The plan would leave only a small number of remaining shares under state control. The company would pay \$500,000 worth of regional taxes every month, but Lebed said he was determined not to let it come into existence. The five alleged partners have denied any plans to form a giant holding. - Pavel Avramov in Krasnoyarsk

SARATOV GOVERNOR FACES OPPOSITION WITHIN HIS OWN TEAM

by Yuliya Eliseeva

SARATOV--Rumors about possible reform of the Saratov Oblast executive branch have been circulating since the spring of 1998, but nothing has happened in the last year.

Some predicted a division of executive authority between the governor, in charge of general political leadership, and a newly-created prime ministerial position, which would handle economic issues. Today Governor Dmitrii Ayatskov performs both functions, and analysts believe he has been afraid to relinquish control over the oblast's important institutions. He did, however, claim that he could not find any volunteers for the post of oblast prime minister, although he had offered the job to some ten candidates. Another prediction that never came true was downsizing of the executive branch bureaucracy, today numbering around 3,000 people. Ayatskov's caution is well-founded: if in the last election, he won 80 percent of the vote, today public opinion polls show that only half of the oblast's residents trust the governor.

Despite the underdeveloped nature of the opposition to Ayatskov, which should be attributed to his carefully cultivated image as "one of our own" and a strong, non-political economic manager, the real challenge to the governor's power is rising from his own team. Vice Governor Vyacheslav Volodin is a young, intellectual, well-educated, and politically and economically savvy leader, who had been a fierce supporter of Ayatskov's rise to power. However, since then he has been increasingly upstaging his boss in the limelight. Ayatskov has taken some preventive measures, stripping Volodin of his post as deputy head of government, leaving him only with the post of vice governor. Then, he tried time and again to send Volodin off to Moscow, especially when Sergei Kirienko's government had a vacancy for the post of minister of nationalities. (Ultimately Perm Oblast's assembly Speaker Yevgenii Spiro took that job.)

The budgetary crisis of 1998-1999 has forced both the federal and the regional authorities to trim personnel. Saratov has allotted 255 million rubles toward government services in the 1999 budget, as much as it plans to spend on agriculture and transportation. At the same time, the oblast government has been seriously considering reducing bureaucracy in the region by 15-20 percent. However, in a baffling move, Ayatskov has created another vice gubernatorial post and appointed Aleksandr Miroshin, the secretary of the oblast Security Council and an Ayatskov loyalist, to this position. Because the oblast charter provided for only one vice governor, the regional Duma had to amend the charter and retroactively add a provision for multiple vice governors. Experts agree that this is another step toward rendering Volodin irrelevant as a political figure and a source of competition for Ayatskov.

Despite Ayatskov's clear intentions, a simple comparison of the two vice governors does not show how Miroshin would act as a check against Volodin. Despite his young age, 35, Volodin has had an exciting political career. He holds two degrees, including a Juris Doctorate from the Russian Academy of State Service. From June 1992 through November 1993 he worked in the Saratov city administration, where he first met then Vice Mayor Ayatskov. He also has had an academic career and served in the oblast Duma where he was elected deputy speaker. Since April 1996 he has been vice governor and since Ayatskov's election, vice governor and deputy chairman of the government. In contrast, Miroshin, 34, also a lawyer by training, has had a colorless career. He tried his hand in business, selling consumer electronics, but his bid for the State Duma was unsuccessful. Later he became a nondescript department head in the oblast administration. His rise only began when he was appointed secretary of the newly created oblast security council. Even there he claimed few accomplishments, among which was a much-reviled initiative to have oblast officials snitch on each other.

VORONEZH GOVERNOR NAMES CONTROVERSIAL PRIME MINISTER. The structure of the newly created Voronezh Oblast government is starting to take shape. On 16 January, the Voronezh Oblast Duma approved the controversial Aleksandr Sisoyev as the new oblast prime minister. One of the most crucial positions, first deputy in charge of economic and investment policies, has yet to be filled.

Oblast Duma law department Director Svetlana Beketova described the changes as a "simple renaming" of the offices, an opinion shared by most observers (*Bereg*, January 22, 1999). Governor Ivan Shabanov and his two vice governors, "Gray Cardinals" Aleksandr Merkulov and Vladimir Korneyev, are still at the top of the oblast's political hierarchy.

Although the new government will be loyal to Shabanov, it will likely bring more chaos than order into Voronezh politics. Some administration functionaries privately admit that they have no idea how this new system will work.

Sisoyev was not Shabanov's first choice for the new prime ministerial position. Vasilii Avdeyev, the head of Anna rayon, rejected the proposal immediately after it was offered to him. Viktor Shevtsov, the head of Liskii rayon, fought to give the future Cabinet more power, especially, in the field of economics and finance, but when this effort failed, he also declined to serve. (*Bereg*, January 22, 1999)

Sisoyev has a checkered past. In 1994 he won election to the Voronezh Oblast Duma, where he served as deputy chairman. During his tenure he became involved in a scandal connected with the distribution of selective tax cuts to regional enterprises. About a year ago the leaders of the Oblast Duma initiated the tax cuts for several enterprises without notifying the deputies in the regional legislature. Most of these decrees were signed by Sisoyev. The local media then assumed that Shabanov was using this channel to pay off the sponsors of his electoral campaign (*Novaya Gazeta v Voronezhe*, 19 January). This particular incident shows the extent of the governor's confidence in Sisoyev and Sisoyev's loyalty to the governor.

The main reason for changing the oblast's governing structure is political. During two years of serving as a governor, Shabanov has done virtually nothing to boost the oblast's economy or improve its residents' standard of living. By creating the new oblast government, he is trying to show voters that he is taking decisive action. The other reason is that Shabanov wants to distance himself from the old administration after several top officials were arrested on charges of corruption last fall (see *EWI Russian Regional Report*, 29 October 1998).

The legitimacy of the new changes is questionable. Oblast Procurator Aleksandr Frolov has noted that the Oblast Duma has adopted 21 laws that do not comply with federal legislation. - Andrei Muchnik in Voronezh

TVER'S FORMER DEPUTY GOVERNOR CONVICTED, PLANS TO APPEAL.

On 25 January the Tver Oblast criminal court convicted former Deputy Governor Viktor Volkov for abusing power and accepting a bribe, sentencing him to 9 years in a special security prison. Additionally, the court confiscated Volkov's property and fined him 1,208,682.30 rubles, the amount of the bribe (*Vechernyaya Tver*, 26-27 January). Volkov was arrested on 20 February 1997. In July he was also charged with extreme abuse of office. Prosecutors accused him of helping a Russian-Bulgarian tobacco joint venture

obtain a 1 billion ruble credit for only half of the interest rate set by the Central Bank. In exchange for his assistance, Volkov received a share of the joint ventures' stock, which was later interpreted by the court as a bribe.

The former deputy governor pleaded innocent on both counts. He claimed that the governor had approved the favorable credit for the company, but the governor denies this allegation. According to *Tverskaya zhizn* (28 January), the credit was nominally approved by the oblast administration long after the money had been transferred; additionally the governor himself never signed the deal. As for the bribe, Volkov argued that he received 24 percent of the company's shares for free and that the management had promised the shares to him in 1994-1995, before he became deputy governor (*Veche Tveri*, 26 January).

The court found Volkov guilty on both counts, however observers are sure that Volkov's attorneys will file an appeal with the Russian Supreme Court. Many people think that the conflict was in part fueled by the long-standing feud between the oblast procurator's office and the regional administration. No doubt the procurator's office will initiate more criminal investigations against other oblast officials, including the first deputy governor and the oblast's chief financial officer, Ivan Raydur (*Tverskie gubernskie izvestiya*, 27 January - 2 February). Another of the governor's deputies, Ibragim Gulaev, is under investigation for crimes committed outside the oblast. In any case, all these high level corruption investigations do not bode well for Governor Vladimir Platov's reputation, especially in this year's gubernatorial campaign. Platov's opponents from the left will surely make corruption in his administration a campaign issue. They will also stress the oblast's deteriorating economic situation. - Boris Goubman in Tver

ELECTIONS 1999/2000

SAMARA'S GOVERNOR TITOV CREATES OWN REGIONAL BLOC. Samara Governor Konstantin Titov announced the creation of a new regional electoral bloc at a 28 January press-conference. Among his new allies, Titov named Republic of Khakassiya leader Aleksei Lebed, Rostov Governor Nikolai Chub and Kaliningrad Governor Nikolai Gorbenko. Press accounts also noted that speakers of regional legislatures in the Khanty-Mansi Autonomous Okrug and Saratov and Nizhnii Novgorod oblasts, as well as a dozen other regional leaders, signed the movement's founding document. At a follow-up press-conference in Samara on 1 February, Titov said that leaders of Vologda and Penza oblasts, and possibly Astrakhan and Irkutsk oblasts, will join the ranks.

From the outset, the media has labeled the new movement "Titov's bloc," making Samara's governor into a political figure of national caliber. Few doubted that Titov would play an active role in the upcoming campaign for the State Duma. However, he had several options to pick from. The one favored by most governors was to back some candidates in the single-member districts within their regions. The drawback is that out of five districts in Samara, the Communists can count on carrying three, and the governor's support in the remaining two might not be a decisive factor. Another option for Titov was to back candidates in other regions, where he is well-known, specifically the member regions of the Greater Volga association which he chairs, or the friendly

regions of Siberia and the Far East. Finally, he could have focused on helping Our Home is Russia (NDR) candidates win, simultaneously trying to reform the party.

Yet, Titov chose to go it alone, a move that could end his career in the NDR but one that has propelled him into national politics. His main trump card is the very successful social policy of his administration. When school teachers in other regions were striking across Russia last month, their colleagues in Samara, whose salary payments have never been delayed, collected money to support the strikers. (Of course, a strike at any one of Samara's defense plants could undermine the oblast's reputation for social policy success.) Titov's second trump card is his position as the chairman of the budget committee in the Federation Council. In this capacity he has publicly voiced articulate and thoughtful arguments for passing the budget, despite its shortcomings, in order to gain a coherent national economic policy. This clashed sharply with the opinions of other regional leaders who criticized the draft as too political. When the budget is passed, Titov will be viewed by the public as one of the constructive leaders who made it happen.

Titov's main challenge, however, will be working a playing field populated by powerful opponents, such as Grigorii Yavlinskii's liberal party Yabloko, Yurii Luzhkov's Otechestvo, the center-right bloc Pravo delo (Right Cause) created by Yegor Gaidar, Anatolii Chubais, Boris Nemtsov and Sergei Kirienko, and Chernomyrdin's NDR. Now Titov's still nameless bloc can count on relative success only in the regions run by the governors who have decided to join him, which will not be enough to amass the required 5 percent of the vote to enter the State Duma. A bloc composed of regional politicians would be hard-pressed to compete with any of the national parties. Some speculate that Titov does not take the Duma race very seriously, considering it a trial run before the presidential campaign. This year Samara's governor will have to decide whether he will compete for the top post or back some other candidate. Apparently, a number of known presidential candidates expressed interest in cooperating if Titov's bloc wins at least 2 percent in the Duma race.

Titov refuses to disclose his own presidential ambitions. Indeed, on 1 February he stressed that his bloc had been created solely to compete for seats in the national parliament. Additionally, Titov stated that his bloc will not run on any ideology but will instead focus on issues of federalism, with the ultimate goal of improving the conditions of all Russian regions "to the level of Tatarstan." Titov's bloc is currently seeking allies, and talks are under way with several minor political movements in the hope of building on their existing regional networks. In Samara proper, the regional branch of NDR will become the basis for Titov's bloc. Surprisingly, the governor said that NDR's faction in the State Duma could also become one of his bloc's bases of support. - Andrei Perla in Samara

LUZHKOVA PICKS GOVERNOR'S FOE TO HEAD PRIMORSKII KRAI

OTECHESTVO. Shortly after its 19 December founding congress, Moscow Mayor Yurii Luzhkov's political movement Otechestvo became involved in the divisive politics of Primorskii Krai. Until early February it was not clear which of the region's two Otechestvo organizations was the real one: the one created by Vice Governor Nikolai Kretsu or the one organized by krai Duma Speaker Sergei Dudnik, a critic of Governor Yevgenii Nazdratenko. Ultimately, Luzhkov picked Dudnik as his man.

Otechestvo's regional branches are being founded by various influential parties, movements, and individuals. The krai vice governor founded his version of Otechestvo on 20 November 1998, and the Duma speaker launched his on 11 December. Both groups sent representatives to the 19 December founding congress in Moscow, but the representatives tried to avoid each other. The Moscow headquarters initially took a neutral stance, hoping the let locals would sort out their differences. The two groups refused to unite, however, because they represent opposing forces in the krai's politics: supporters of Governor Nazdratenko and his enemies. Naturally, both groups want to side with the strongest candidate in the upcoming Russian presidential elections.

The face-off continued throughout January, as the two groups held conferences, organized local branches in other cities and villages, and corresponded with Moscow. Finally, the movement's national headquarters broke down and sent Dmitrii Rogozin, a member of the party's political council, to Vladivostok. After a three day visit, he said that he would report to the party's leadership and an appropriate decision would be made. However, judging by Rogozin's actions, Moscow had made its decision ahead of time. He spent two full days with Dudnik and his people and only three hours, right before his departure, with Kretsu's supporters. On 1 February Sergei Dudnik announced that Luzhkov has agreed to recognize his group as the party's branch in the krai. Observers believe that Luzhkov is distancing himself from the governor, whose supporters are losing one election after another in the region, and siding with Dudnik, whom many predict to be the next governor of Primorskii Krai. - Yevgenii Popravko in Vladivostok

POLITICAL ECONOMY

NIZHNII NOVGOROD RAISES RENTS FOR BUSINESSES, CAUSING PRICE HIKES. The city administration of Nizhnii Novgorod has raised rents on municipal non-residential buildings. Businesses leasing space from the city learned about this change only after they received their most recent rent bill. Even Governor Ivan Sklyarov appeared to be taken by surprise, because he said that this move will only lead to higher prices, as the businesses will be forced to pass this new expense on to their customers. At the same time, this decision was long overdue, as the city has maintained the same rent rates for the last two years. To account for the rate of inflation between 1997 and 1999, rent were supposed to go up 3.2 times.

The city raised rents to increase its revenues. Despite the city's projections, real rent rates actually went up 11 - not 3 - times, because the situation was complicated by special dispensations granted to stores and other "socially important" organizations.

Business owners held spontaneous demonstrations, outraged by the sudden hike. Indeed, the city's ordinance gives a break to three types of tenants: organizations serving municipal needs, companies performing social services, and exporters. However, definitions of these three groups have been left vague, which concentrated too much power in the hands of officials tasked with licensing tenants for reduced rates, a sure recipe for corruption. The city rebuked Sklyarov's critique, saying that if prices do rise, it will be the fault of business owners, although nobody in the city administration could explain where a business could find money to pay a rent that is 10 times higher than the day before.

St. Petersburg adopted a similar measure a year ago. One ramification of that decision was the bankruptcy of a large number of small enterprises. Another trend was for businesses to switch from the city to private landlords. Most tellingly, however, the St. Petersburg authorities have failed to increase their budget revenues, as they had hoped.

In a number of Nizhnii Novgorod stores rent rates have jumped 8-15 times, while sales have plummeted. As the weekly *Birzha* pointed out, higher prices for petroleum products, rent, utilities and the newly introduced 5 percent sales tax cannot help by raise consumer prices at least 1.5 times. Meanwhile, the average individual income in the oblast has decreased from \$160 to \$50 a month. - Yurii Rodygin in Nizhnii Novgorod

TOMSK INDUSTRY STRUGGLES TO SURVIVE AFTER CRISIS AND CONVERSION. Many believe that Tomsk Oblast's economy depends solely on the rich deposits of oil and gas extracted by Tomskneft, a YUKOS subsidiary. However, the oblast is also host to 219 large and medium-sized industrial enterprises, over half of which suffer from months and even years worth of salary arrears. Only one enterprise has been declared bankrupt, and seven more are in the middle of court bankruptcy procedures. The main reason for arrears is addiction to barter and managers' fear of the rubles' instability.

The oblast depends on federal subsidies for survival. Moreover, during the last 11 months the oblast has registered a 2.8 percent decline in production, for example at enterprises like Sibkabel and Roltom, a ball-bearings maker. Nevertheless, there are some bright spots. The Tomsk Instrument Plant, a former defense enterprise which has undergone conversion to peacetime production, posted a 235 percent increase in 1998 compared to previous year. The Tomsk Petrochemical Combine finished 1998 with a net profit, despite the crisis and bankruptcy procedures.

The Siberian Chemical Combine is another success story. Located in the closed city of Seversk, now with the status of a free economic zone, the combine is essential for the city's survival. The combine is a state enterprise, reporting to the federal Atomic Energy Ministry. Last year it completed conversion restructuring, after which the share of government procurements in the company's overall client structure dropped to 1.5 percent. Today the combine processes enriched uranium for export to the United States, disposes of radioactive waste, and produces heating energy. In 1998 the combine even exceeded its pre-conversion levels of production, a unique event in Russia.

Despite the benefits of the free economic zone, the combine has clashed with the city's tax authorities. Recently they collected 180 million rubles of the combine's debt, with no chance for the company to negotiate. Gennadii Khandorin, the company's director, even threatened in jest to reregister the combine from Seversk to Tomsk. The city tax authorities did not find his humor amusing, though, as the city's budget heavily relies on the combine's taxes for revenue. - Nikolai Kashcheev in Tomsk

FOREIGN TIES

FEDERATION COUNCIL DIVIDED OVER FRIENDSHIP TREATY WITH UKRAINE

by Yelena Kuznetsova

Federation Council Spokeswoman for St. Petersburg Governor Vladimir Yakovlev

MOSCOW--At the first meeting of the Federation Council this year, on 27 January, the most divisive issue on the agenda was ratification of the Treaty on Friendship, Cooperation and Partnership between Russia and Ukraine. This treaty for the first time recognizes the independence of both countries and establishes the current Russian-Ukrainian border. Due to the highly contentious nature of the issues, the senators voted to table the discussion and return to it in their next session at the end of February.

Long before the 27 January meeting council members were polarized on the treaty. A heated discussion in the media and in the State Duma, which eventually ratified the document, prepared the groundwork. It turned out that the upper house was divided between enthusiastic supporters and staunch opponents of the treaty. Instead of the allotted 15 minutes, the discussion took two hours. Such attention to the issue is understandable, given Russia's traditional view of Ukraine as a "little brother" as well as the potential threat of eastward NATO expansion. Additionally, the treaty is loaded with some controversial issues, including the border and Sevastopol, a Ukrainian city traditionally used as a base for the Russian Black Sea Fleet.

Kurgan Governor Oleg Bogomolov, who chairs the council's committee on CIS affairs, noted that at the root of the uproar is the feeling that Russia, once a mighty power, is slowly losing more and more of its former might. Nevertheless, Bogomolov advocated ratification of the treaty, after a careful debate. He cited several beneficial provisions of the treaty. Article 1 articulates friendly and equal relations between Russia and Ukraine, based on mutual trust, respect and strategic partnership. Articles 2 and 3 provide for the inviolability of borders. Articles 4, 5 and 6 lay the foundation for military and security cooperation. Several articles discuss the creation of conditions for trade and economic cooperation. Finally, Article 12 provides for teaching Russian in Ukraine and Ukrainian in Russia.

The treaty's main advocate in the Federation Council was Minister of Foreign Affairs Igor Ivanov, whose team drafted the document. Ivanov stressed that Russia has diplomatic relations with Ukraine, and therefore has recognized the territorial integrity of that country. Additionally, there is no legal ground for returning Sevastopol to Russia, Ivanov said, while the Russian Black Sea Fleet stationed there should be considered a foreign military presence on Ukrainian soil. Instead of futile attempts to regain Sevastopol, Ivanov recommended negotiating terms for leasing the bases' territory. If Russia wants to keep Ukraine out of NATO's embrace, Ivanov told the senators, the best solution is to insure Ukraine's friendship, instead of antagonizing it and thus pushing it westward. Ukraine can serve as a "buffer" state between Russia and NATO, and Russia would be ill advised to have an unfriendly buffer if its relations with the North-Atlantic Alliance deteriorate in the future. Finally, he argued that the controversial issues surrounding Russian minorities in Ukraine can be better resolved after the friendship treaty is ratified.

The most vocal opponent of speedy ratification of the treaty with Ukraine was Moscow Mayor Yurii Luzhkov, a leading presidential candidate who has been cultivating the image of a patriot and defender of Russian interests and of Russians living abroad. Luzhkov said he receives considerable mail from Crimea, a predominantly Russian-

speaking peninsula, which enjoys partial autonomy within Ukraine. The letters urge him not to let Russia ratify the treaty. He said that instead of rushing the treaty through the council, the senators should carefully consider all of its pluses and minuses. Luzhkov reminded the council that in 1947 Stalin made Sevastopol a separate administrative unit in the Crimea, so when later Khrushchev transferred the peninsula from Russia to Ukraine, the city of Sevastopol never left Russian jurisdiction. Ratification of the treaty, in contrast, would legally recognize Ukraine's right to Sevastopol. He also rebuked Ivanov's point that failure to ratify the treaty would push Ukraine closer to NATO, because the alliance's own rules prevent new members from joining until they have settled all territorial disputes with other states. Passage of the treaty in the council would only open the doors for Ukraine to join NATO, Luzhkov asserted. Finally, he described the deplorable conditions of the Russian minorities in Ukraine as an argument against voting for the treaty.

After his presentation, governors spoke one after another, taking opposing sides. Belgorod Governor Yevgenii Savchenko, who chairs the council's committee on agriculture, suggested that the treaty could be a stepping stone toward closer integration of the two peoples. At the same time, Ryazan Oblast Duma Chairman Viktor Fedotkin marveled at the fact that once again Russia is behind the rest of the world. Indeed, Europe is moving toward a common, border-less political space, whereas the treaty is strengthening the frontier dividing Russia and Ukraine. Ultimately, the council's Chairman Yegor Stroev proposed tabling the motion and discussing the treaty a month later, when senators will have had enough time to think through their positions.

OMSK OBLAST LIMITS FOOD EXPORTS TO KAZAKHSTAN. In a surprising move, the authorities in Kazakhstan have shown support for the Omsk Oblast administration's measures limiting the export of food products to that former Soviet republic. In September 1998 Governor Leonid Polezhaev decreed that the most essential food products would be exported only with the permission of the state corporation Omsk Foodstuffs. The measure, designed to prevent food shortages in the oblast, significantly limited exports of locally produced meat, dairy products and vegetables (*Omskii vestnik*, 3 December 1998). However, the oblast procurator's office challenged the decree as contradicting federal anti-monopoly legislation and the national Constitution (*Oreol-ekspress*, n. 47).

Kazakhstan recently banned imports of Russian food products, thus shutting the border on the other side. About a month ago Kazakhstan's authorities complained to the Russian government that food products imported from the 11 bordering Russian regions, including Omsk Oblast, have all but pushed Kazakhstan's own products out of the market in the country's northern regions. A cheaper ruble has made Russian imports cheaper as well, which Kazakhstan at first welcomed as a remedy against its own food shortages. In a congruent move, the Russian government revoked all customs reductions on food trade with other countries. Prime Minister Yevgenii Primakov now requires that firms have special licenses to export food, in a way repeating Polezhaev's earlier policy. For now, all exports of Omsk food products have been halted. - Valerii Chukhomlin in Omsk

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Party of Power Dominates in Komi State Council Elections

Vladivostok Ex-Mayor Loses Court Case, New Mayor Seeks Popularity

Lebed's Battles Continue Unabated in Krasnoyarsk

Bankrupt Leningrad Oblast Considers Merger Plans with St. Petersburg

Local Executives Become Legislators in Tver

Elections 1999/2000

Ayatskov Keeps His Distance from New Blocs, But Maintains Ties

Special Research Report

Dagestani Jews Flee Persecution in Their Ancient Homeland

Political Economy

World Bank Holds Back on St. Petersburg Downtown Reconstruction Loan

Irkutsk Oblast Bails Out Sayansk City Budget

Small Business

Samara Backs Small Business

Rostov Businessmen Protest New Tax

Foreign Ties

Belarus Seeks To Restore Trade Links with Russian Regions

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BREAKING NEWS

POLITICS

YELTSIN CANCELS INGUSHETIYA REFERENDUM. On 6 February, President Boris Yeltsin annulled Ingushetiya President Ruslan Aushev's 20 December decree authorizing a referendum on whether the republic should have the right to appoint its own police chiefs, legalize bride-kidnapping, allow residents to carry daggers, and permit the republican president to pardon those involved in vendetta killings (http://www.maindir.gov.ru/Administration/Press_Release/Feb/svwi3796.html). Aushev responded, saying that he was ready to negotiate with Moscow, but only before 28 February, the scheduled date of the referendum. The federal authorities blocked Aushev from holding a similar referendum last year (see *EWI Russian Regional Report*, 5 March 1998). Aushev has complained that discussions with Moscow since then have gone nowhere. Negotiations are now set for 11 February between Aushev and Deputy Secretary of the Security Council Vyacheslav Mikhailov. (*Kommersant Daily*, 9 February)

SHOKHIN LEADING NEW REGIONAL BLOC STAFF. Aleksandr Shokhin is the main staff organizer for the new regional political alliance being formed by Samara Governor Konstantin Titov. Until recently, Shokhin was the state Duma leader of the Our Home is Russia faction. Titov is working in the regions, while Shokhin is mapping the new bloc's ideology. Shokhin's staff is working quietly so as not to offend the governors who lead the bloc. The bloc will likely have several co-chairmen and allow the governors considerable autonomy. Shokhin says he is not worried about governors joining Moscow Mayor Yurii Luzhkov's Otechestvo because that organization serves the interests of Moscow rather than the regions. By keeping the governors away from Luzhkov, the new bloc solves one problem for Boris Yeltsin's Kremlin and Yevgenii Primakov's White House. (*Kommersant Daily*, 5 February)

MASKHADOV INTRODUCES ISLAMIC LAW IN CHECHNYA. Chechen President Aslan Maskhadov introduced Islamic law into the separatist republic on 3 February by presidential decree. The decision in effect overturns the republican constitution, prevents the parliament from adopting legislation, and gives the president unlimited power. (*Kommersant Daily*, 5 February) Maskhadov's opposition, which has been trying to remove him from office, demanded the reform. A new constitution based on Islamic principles should be ready by March. The old constitution, adopted in March 1992 under then President Dzhokhar Dudaev, declared Chechnya a secular state and gave parliament considerable powers.

Implementation thus far has been rather confused, *Nezavisimaya gazeta* reported on 9 February. As part of the reform, Maskhadov has created a State Council (*shura*) and invited about 20 prominent Chechen leaders, including such Maskhadov opponents such as Zelimkhan Yandarbiev, Shamil Basaev, and Khunkar Israpilov to join. Maskhadov has given the new body only advisory powers, although others wanted to make it the highest

authority in the republic. Former Vice President Vakha Arsanov, however, has refused to join, saying that some of the members had nothing to do with Islamic law since they consumed alcohol, among other violations. Maskhadov eliminated the office of the vice presidency and removed Arsanov from that position on 5 February. (*Nezavisimaya gazeta*, 6 February)

Many of Maskhadov's opponents intend to set up their own council, *Izvestiya* reported on 10 February. Former Chechen Foreign Minister Movladi Udugov said that with the transition to Islamic law, Maskhadov should give up his powers.

FEDERAL CRACKDOWN IN DAGESTAN CONTINUES. The leader of the combined task force of the Russian and Dagestani Ministries of the Interior, Vladimir Kolesnikov, announced that in the fight against organized crime in the republic, last year the brigade filed 80 criminal cases, arrested 67 individuals, and freed 33 hostages. Several local executives and a variety of legislators at the republican and local levels are among those being brought to justice. Investigations are continuing in the agriculture ministry, the firm Daggazprom, the Makhachkala port, the airport, and several other commercial and banking institutions. The brigade is trying to prevent members of organized criminal groups from winning public office in the 7 March legislative elections and through the republican referendum on introducing the office of the presidency. Kolesnikov also wants to remove the republic's three basic industries, oil, fishing, and the production of alcoholic beverages, from the control of the shadow economy. His unit has been working in the republic since last May, when armed groups temporarily seized the republican administration building.

STRUGGLE OVER VLADIVOSTOK TV APPARENTLY ENDS WITH DEATH. Boris Maksimenko, who had served as general director of the regional TV and radio broadcasting company Vladivostok from the 1980s until recently, died of a heart attack on 8 February. Since last Fall, he had been involved in a bitter struggle for control of the broadcaster. In September, Russian State Television and Radio Company (VGTRK) Chairman Mikhail Shvydkoi appointed Valerii Bakshin general director of Vladivostok (see *EWI Russian Regional Report*, 3 December 1998). Maksimenko opposed Bakshin because he believed that he would serve the interests of Primorskii Krai Governor Yevgenii Nazdratenko. The latest move in the struggle came last week, when Moscow appointed Maksimenko chairman of VGTRK while allowing Bakshin to continue as general director. With Maksimenko's demise, Bakshin will have a free hand in setting the station's policies.

ECONOMICS

DUMA OVERRIDES FEDERATION COUNCIL VETO ON LAW LIMITING GOVERNORS' ECONOMIC POWER. The State Duma on 4 February overrode a Federation Council veto on a bill that calls for limiting the governors' control of regional financial, stock, and insurance markets (for the text of the bill, see <http://www.akdi.ru/gd/proekt/8548GD.HTM>). If signed into law, the legislation would allow the federal Anti-Monopoly Committee to take action against decisions that would limit competition on these markets or create conditions that favor one institution over

another. Governors often set up their own banks or insurance companies to gain access to revenue streams that they generate or to control the interest generated by state funds. The governors vetoed the bill in December, and Kursk Governor Aleksandr Rutskoï spoke for the majority of regional executives by saying that he should be able to determine what kind of institutions he needed. The bill now goes to the president. (*Kommersant Daily*, 5 February)

AVTOVAZ EXPANDS ABROAD. Samara's Avtovaz (<http://www.vaz.com>) is planning to assemble its cars in the Ukrainian city of Rovno and in Latin America. In the mid-1980s, the plant exported up to 260,000 cars annually. By 1998, however, exports fell to 80,000. The devaluation of the ruble has increased demand for the cars abroad since they are now about half as expensive in dollar terms. This year AvtoVAZ will send 3,000 kits to Rovno. The plans for the Latin American production have not been released yet. The British company Auto Distributors is also negotiating to sell AvtoVAZ cars in the UK. Auto Distributor's owner, Motor Vehicle Imports, sold AvtoVAZ cars in the UK from 1973-1997, but stopped because of low demand. (*Kommersant Daily*, 9 February)

GOVERNMENT SEEKS RIGHT TO STORE FOREIGN NUCLEAR WASTE. The Nuclear Energy Ministry is seeking State Duma approval for a law allowing the country to store imported nuclear waste for money. Current legislation permits Russia to import nuclear waste for processing, but the final products must be re-exported. Environmentalists and the Yaboko faction oppose the plan as dangerous; other factions generally support it. Russia now has only one site for processing such material, the Mayak complex in Chelyabinsk-65. The ministry also hopes to complete construction of a second facility at Zheleznogorsk in Krasnoyarsk Krai. (*Moscow Times*, 9 February) However, Krasnoyarsk Governor Aleksandr Lebed has blocked the import of nuclear waste from Ukraine because he wants the Ukrainians to pay more for the service. The Ukrainians are now planning to build their own storage facility near Zaporizhye. (*New York Times*, 27 January)

TULA HAS MOST MODERN TELEPHONE SYSTEM IN RUSSIA! Tula Oblast has fully digitized its data transmission network, the journal *Ekspert* reported 8 February. It can also provide residential customers relatively cheap access to ISDN lines. The second most-developed region is Udmurtiya, which has a 63 percent digital network. Other regions, including Moscow and St. Petersburg, still rely on analog lines. Tulatelekom has been laying the fiber optic cable for 15 years.

PATTERNS OF REGIONAL DEVELOPMENT

PARTY OF POWER DOMINATES IN KOMI STATE COUNCIL ELECTIONS. On 7 February elections for the State Council and local governments were held in the Republic of Komi. The partisan competition was much more intense than anything witnessed in the 1995 State Duma elections.

Voter participation in the elections was 44.8 percent, higher than in previous elections. The highest participation level came from the rural regions and the lowest from the republican capital, Syktyvkar, where turnout was just 38.3 percent.

The regional "party of power" fared well in the election and twenty of the State Council's fifty deputies were reelected. They included council Speaker Vladimir Torlopov, his deputy Ivan Kulakov, and leader of the Komi national movement Valerii Markov. The previous State Council was fiercely loyal to republican President Yurii Spiridonov, thus the maintenance of the core of the council means the new Council will likely be loyal as well. Thirteen heads of city and district (*raion*) administrations were also elected, though four lost their races. Several trade union leaders won seats, increasing women's representation in the parliament. Of the political parties, Yabloko had the greatest success, but the Communists were not as fortunate.

In an extremely diverse field, Yabloko and the Communist Party fielded the largest number of candidates. Yabloko conducted the strongest campaign and federal-level party leaders, including Vladimir Lukin, local government advocate Nikolai Travkin, and State Duma Committee on the North Chairman Boris Misnik visited the republic to campaign for the party's candidates. Party leader Grigorii Yavlinskii published a long interview in an important local newspaper. Unfortunately, the party's major mistake was that its candidates were relatively unknown in the region. One Yabloko candidate in the mining city of Inta, for example, was the director of two mines who scandalously obtained one third of the stocks from one of the mines.

The Communists campaigned hard, but made some tactical errors because the party's central leadership had a poor understanding of local reality. This was particularly evident in a radio interview Gennadii Zyuganov gave in place of one of the Communist candidates. The party ineffectively stuck to its old attacks on the "unpopular regime." Vladimir Zhirinovskiy's Liberal Democratic Party of Russia made little head-way following a split in the local party organization last year.

Despite finally being able to hold local elections for the first time, Komi has a long way to go in establishing local government. Not all legislative seats were filled, and elections were declared invalid in 12 districts.

Moreover, on 2 February Komi President Yurii Spiridonov published a decree establishing a Coordinating Council to deal with issues regarding the organization of local governments. The Coordinating Council is made up exclusively of high-ranking officials, reflecting Spiridonov's desire to maintain personal control over local government.

Spiridonov has long been at odds with the federal government regarding local administrative structures. In January 1998 the Constitutional Court ruled that the Komi Constitution and Komi Law on Executive Authority were in violation of the federal constitution and legislation and set the present elections. Even though the elections have now been held, the battle over local government will continue. - Yurii Shabaev in Syktyvkar

FORMER VLADIVOSTOK MAYOR LOSES COURT CASE, WHILE NEW MAYOR SEEKS POPULARITY. The Supreme Court on 4 February rejected former Vladivostok Mayor Viktor Cherepkov's appeal. He had hoped to overturn the decree of President Boris Yeltsin that removed him from office because his term had expired. The court rejected the case even though a representative from the General Procurator's office argued that Cherepkov's demands were just. Cherepkov will now appeal to the Supreme

Court's Collegium. If that court does not rule in his favor, he will likely appeal to the Constitutional Court and the European Court on Human Rights in The Hague.

The time-consuming legal process pleases Cherepkov's enemies. Acting Mayor Yurii Kopylov, who was appointed by Governor Yevgenii Nazdratenko, Cherepkov's rival, is doing everything possible to discredit the former mayor and show that he can run the city better. Kopylov and the media controlled by the krai administration make daily claims that the city is paying off the debts accumulated by Cherepkov. The payments include funds for children's benefits, the city ambulance service, and city doctors. The city has also now acknowledged its debt to the electricity utility, Dalenergo.

During his tenure, Cherepkov demonstrated that such payments were the responsibility of the federal government and special insurance funds. Cherepkov's supporters believe the acting mayor is generously spending money to drive the city into debt and bring Vladivostok to its knees. The newspaper *Zavtra Rossii vo Vladivostoke* reported that just paying the debt to Dalenergo will take 20 years. Moreover, Kopylov, unhappy with the meager funds earned by his predecessor, has already taken out a multi-million rouble credit from Bank Primorye. His only concrete accomplishment so far has been to increase the number of street sweepers in the city.

Kopylov will have to do a lot to improve his popularity ratings. Several of his populist steps have surprised people. Kopylov announced that during the New Year holidays the city's commercial transportation services would carry passengers for free. But during the holidays the city's private buses disappeared and crowds of unhappy commuters were left stranded. Later, newspapers reported that two citizens died after being attacked by wild dogs (a problem Cherepkov did not address). Shortly thereafter police units began to shoot dogs on the street while residents and children watched. The resulting uproar among citizens forced the city to cancel the administration's decree for that action. It was later revealed that the two alleged victims who died had been drunk and died from exposure, not because of wild dog attacks.

In its most recent misstep, the Kopylov administration erected huge billboards around town proclaiming that "Vladivostok is not a psychiatric hospital." The slogan refers to the belief held by Cherepkov's critics that the former mayor is insane. Unfortunately, the billboards have led most who view them to question the overall mental health of their region. - Yevgenii Popravko in Vladivostok

LEBED'S BATTLES CONTINUE UNABATED IN KRASNOYARSK. During the last two weeks, Governor Aleksandr Lebed's battle with the krai business elite and legislature has moved from the television screen to the street. Lebed started the process when he held a demonstration of supporters in front of the krai building on 28 January.

On 4 February, the administrators of the krai's largest exporters, led by the Krasnoyarsk Aluminum Plant (KrAZ) and its parent company TANAKO, organized a rally of 6,000 to 7,000 workers in downtown Krasnoyarsk. The rally was in response to Lebed's earlier demonstration. Most of the speakers denounced the Regional Energy Commission's January decision to set the price for electricity for six major exporters (KrAZ, the Yenisei Chemical factory, Sivinit, and three lumber mills) at 1.05 cents a kilowatt-hour, while other factories pay only 0.8 cents. Many factory directors at the rally denounced the higher rates, saying such prices would drive them into bankruptcy.

TANAKO General Director Mikhail Tyumenev said the best solution would be to let each enterprise work out a price for electricity directly with the supplier.

Lebed staunchly defended the higher rates. He said that during 1997 Krasnoyarskenergo utility lost 5 billion rubles, and regional and local budgets lost 1.5 billion rubles, a sum that was twice as large as the regional government's debts to public sector workers. Lebed said he would no longer tolerate such a situation. He also claimed he had received numerous calls claiming that many people went to the demonstration because they feared they would be fired from their jobs if they did not.

At the krai's Legislative Assembly hearing on the matter, Speaker Aleksandr Uss described the events in the krai as managerial chaos and blamed KrAZ Chairman of the Board Anatolii Bykov for the problems, charging that he was trying to take control of the coal industry. Bykov, who at one time backed Lebed's campaign but is now a fierce opponent, denied that he wanted to control the region's coal supply.

At the same time, Lebed was able to convince Prime Minister Yevgenii Primakov and several political parties, including the Communists, that he was the best guarantor of the state's stake in the coal industry. Since 9 February a group of lawyers and auditors sent by Primakov has been investigating the situation in the krai. Moreover, for the first time in recent history, the Communists issued a statement backing Lebed's efforts to maintain state control over Krasnoyarsk's coal and called on other organizations to back him.

At a workers' meeting at the Krasnoyarsk Coal Company, attendees openly accused former General Director Sergei Opanasenko of trying to bankrupt the company because it had not paid a 67 million ruble debt. Such a bankruptcy would allow the sale of the Borodino mine, with an estimated value of 6 billion rubles. The collective voted no confidence in Opanasenko and backed the new General Director Bondarenko.

However, the Krasnoyarsk Coal Company's Board of Directors did not have the right to temporarily remove Opanasenko and replace him with Bondarenko. Opanasenko's deputy has refused to take orders from Bondarenko and refused to give him the stamp he needs to make official decisions. This deputy then went to Moscow and left his assistant, who also refuses to hand over power, in charge. The situation is made even more complicated by the fact that the company is already in bankruptcy proceedings and is being run by an external manager, Gennadii Pavlovich. The bankruptcy hearing is set for 16 February. - Pavel Avramov in Krasnoyarsk

BANKRUPT LENINGRAD OBLAST CONSIDERS MERGER PLANS WITH ST. PETERSBURG. Chairman of the Leningrad Oblast Legislative Assembly Vitalii Klimov believes that it will take two to five years to unite Leningrad Oblast with the city of St. Petersburg. He said that the Leningrad legislators have long favored the merger and began preparations for a referendum of city and oblast residents last September, when former Leningrad Oblast Governor Vadim Gustov took the position of deputy prime minister in Primakov's cabinet. The St. Petersburg legislators, who were re-elected in December and have yet to name a speaker, have not responded to their Leningrad colleagues. St. Petersburg Governor Vladimir Yakovlev supports the union despite Leningrad Oblast's considerable economic troubles.

The most difficult part of the merger process will be harmonizing the laws of the two regions. St. Petersburg has adopted more than 2,000 laws, while Leningrad Oblast

has a somewhat smaller number. Just this year St. Petersburg introduced a 5 percent sales tax, but Leningrad Oblast has not.

The oblast, which is quickly losing the confidence of its creditors, is relying on federal subsidies for support, thanks to its well-placed former governor. In the last quarter, the oblast received an unplanned subsidy of 80 million rubles, according to Vice Governor for Finances Sergei Susekov. Leningrad stopped making payments on its oblast obligations in December. A foreign bank syndicate that lent the oblast \$50 million in May 1998 may demand the money back in May 1999. The procurator is currently investigating how the money was used.

Against the background of Leningrad Oblast's uncertain political and economic status, gubernatorial elections currently set for 19 September 1999 are heating up. In addition to Liberal Democratic Party leader Vladimir Zhirinovskiy, four others have announced their candidacies. - Marina Makova in St. Petersburg

LOCAL EXECUTIVES BECOME LEGISLATORS IN TVER

by Boris Goubman

TVER - On 3 February the Tver Oblast court ruled that Vyshnii Voloch Mayor Mark Khasainov and Olenin District leader Oleg Dubov had a right to serve the oblast's Legislative Assembly. The favorable verdict has allowed the two administrators to take their seats more than a year after winning election to them on 14 December 1997. Even though Khasainov's and Dubov's victories were convincing, the vote count was not enough to guarantee their status as legislators since Russian legislation is vague on the question of whether it is possible to simultaneously serve as a mayor and also sit in a regional legislature.

Federal law does not directly prohibit local administrative heads from serving in regional legislatures. In the previous Legislative Assembly there were five district administrative heads. However, the Mandate Commission decided to radically change its approach in the new legislature, and prevented Khasainov and Dubov from taking their seats. The Commission argued that allowing the mayors to sit in the oblast legislature violated the principle of the separation of powers between executive and legislative branches of government.

Both local leaders, who are firm supporters of Tver Governor Vladimir Platov, appealed the Mandate Commission's actions to the regional court. At the same time, the oblast procurator, who opposes the governor, appealed the act of registering the executives as candidates. Thus, the court had to simultaneously examine the complaints of Khasainov, Dubov, and the procurator. In spite of the procurator's position, the court ruled in favor of Dubov and Khasainov.

The ruling could have unforeseen consequences for the Legislative Assembly. Both deputies have the right to challenge any decisions adopted by the assembly in their absence, including the election of the Legislative Assembly speaker. Also the Legislative Assembly could appeal the oblast court's decision to the Supreme Court, but is unlikely to do so. The precedent of confirming the two deputies resonates on the federal level as well, making clear the need to perfect Russian electoral legislation.

ELECTIONS 1999/2000

AYATSKOV KEEPS HIS DISTANCE FROM NEW BLOCS, BUT MAINTAINS TIES

by Yuliya Eliseeva

SARATOV - Saratov Governor Dmitrii Ayatskov is taking a very cautious approach toward the new electoral blocs that are forming in Russia, whether it's Moscow Mayor Yurii Luzhkov's Otechestvo or Samara Governor Konstantin Titov's bloc of regional leaders. Ayatskov clearly does not want to commit to a specific movement, but rather is waiting to see which group offers him the best chance. His strategy is to place a trusted subordinate in each movement, rather than joining himself, and then wait to see which organization gains the most influence. The governor assumes that it will be easy to take the place of his representative in the most promising organization at the appropriate time.

A branch of the political movement Otechestvo has now been registered in Saratov. This event resolved the question of whether it was possible to have two political movements in the region with practically the same name - Otechestvo headed on the federal level by Luzhkov, and Nashe Otechestvo (Our Fatherland), a regional organization established by Ayatskov and headed by his deputy, Vyacheslav Volognii. Although the two Otechestvos are similar, the governor has preferred to distance himself from Luzhkov's movement, placing oblast Duma Deputy Nikolai Semenets in charge of the regional branch. This is only a tactical step, however, since Semenets considers himself to be an "Ayatskov man" who obediently follows the governor's policies. Thus the governor has managed to keep some influence in both Otechestvos.

Ayatskov has maintained an equally ambiguous position in regard to the bloc of regional leaders established by Titov. Though he claims to be indifferent towards Titov's plan, he has also signed a statement supporting Saratov Duma Chairman Aleksandr Kharitonov, who backs Titov. Since Kharitonov would not go against Ayatskov, his presence in Titov's group is a subtle way for Ayatskov to maintain influence there. In an interview with Interfax and in a discussion with the governor's press service, he stated that the bloc's chief task is to form a new State Duma that has a dominant faction supporting the governors, and then focus on participating in the presidential elections.

This approach to forming political alliances explains Ayatskov's seemingly contradictory political steps. For example, he held secret conversations with the young reformers Sergei Kirienko, Anatolii Chubais, Boris Nemtsov, and Yegor Gaidar, to whom he presumably had made certain political promises which he then took back (see *EWI Russian Regional Report*, 3 December). Ayatskov acted similarly toward Viktor Chernomyrdin. When Yevgenii Primakov became Prime Minister, Ayatskov suggested that the former prime minister should be removed from the leadership of Our Home is Russia in favor of Primakov. But just last week, he warmly welcomed Chernomyrdin to Saratov, gave Chernomyrdin the use of his personal jet, and rejected any assertions that he had once planned to leave NDR or its political council.

SPECIAL RESEARCH REPORT

DAGESTANI JEWS FLEE PERSECUTION IN THEIR ANCIENT HOMELAND

by Nabi Abdullaev

MAKHACHKALA--Jews have lived in Dagestan since 300-400 BC. However, during the last decade their situation has deteriorated greatly and now very few remain.

Some chronicles mention the appearance of a tribe that celebrated Purim after migrating from the territory of modern day Iran to an area near Derbent. Calling themselves "Jurkho" or "Taty," the members of this group settled in the area around Derbent, Kaitag and Magaramkent. Their neighbors called them "mountain Jews," to distinguish them from the Ashkenazi (or European) Jews, whom the Taty predate. The Taty speak their own language, which they call "jukhun zukhur," a member of the Indo-European family of languages. The language is related to ancient Persian, and today some Taty can understand the language of the Tajik Roma, who speak a dialect of Farsi.

Centuries of existence surrounded by Muslim peoples have shaped the everyday practices of the Taty, although they have retained their religious distinctiveness and dietary rules. Traditionally they have engaged in winemaking, rice and tobacco farming, silkworm growing, and retail trade. In the Soviet days the Taty were organized in kolkhoz and sovkhoz collectives according to their professional specialization. The trading Taty living in Derbent helped make the city a key nexus along the Great Silk Route. Thanks to trade, the Taty have become one of the most civilized ethnic groups among the peoples living in the relative isolation of the Caucasus mountains. That success has contributed to their migratory patterns: in 1926 there were 26,000 Taty in Dagestan, in 1959 about 15,000, and in 1979, 19,000.

During the Soviet period the Taty, like other ethnic minorities and indigenous peoples of the USSR, enjoyed a number of cultural benefits. In areas with large numbers of Taty, children were taught the Tat language in schools, and the Taty had their own Tat-language newspaper since 1928. Until the late 1980s, they enjoyed certain quotas in university admissions, job applications, and allocation of public funds. They had their own radio station, their own national theater, and a Tat-language chair in the philological department of Dagestan State University. The Taty played a large role in the republic's cultural life, including music, art and literature. However, their most visible contribution to Dagestan's culture was the Lezginka folk dance ensemble, a well-known, award-winning group, composed almost entirely of Taty dancers. There were also two synagogues in Makhachkala, one for the Taty and the other for the Ashkenazi Jews.

As the Soviet Union slowly collapsed, the situation for the Taty deteriorated. One of Mikhail Gorbachev's reforms was the liberalization of Soviet emigration policies, which allowed many Jews to emigrate. By 1989 the national census registered only 3,649 Taty in Dagestan. When Dagestan became a sovereign republic within the Russian Federation, the Taty became one of 14 titular ethnic groups, which gave them one of the 14 seats in the republic's State Council, a collective executive body. Since 1994 this seat has been held by Lyudmila Avshalumova, the rector of the Dagestan Pedagogical University. She was re-elected to this post in 1998. The Taty can also claim two seats in the Popular Assembly, the parliament, in proportion to their nearly 2 percent share in the total population. (Members of the non-titular ethnic groups, for example Belarusians, Georgians, or Ashkenazi Jews, do not enjoy such quota representation.)

Many mountain villagers, especially young people, have migrated to urban areas in recent years. Hard pressed to find jobs in the city, the rural young often end up in criminal gangs, bullying other groups for resources and living space. Along with ethnic Russians, the Taty have proven unable to consolidate and defend their own interests against encroachments by criminal groups of other ethnicities. More often than not, both the Russians and the Taty react to persecution individually, and therefore ineffectively. The Taty are the only ethnic group in Dagestan that has not formed a political movement to protect its members.

As a result of ruthless and often barbaric persecution by other groups, the Taty have been pushed out of business, industry and trade. Both the Taty and the state officials (who often lead the well-organized ethnic groups in question) have failed to protect the persecuted. In some instances, the Taty have been evicted from their homes. For instance, the family of one of my friends was forced to accept \$2,000 for a \$20,000 apartment following threats made against their daughter. One of the ministers in the Dagestani government personally beat another of my Tat friends with the handle of a gun, demanding that he vacate his apartment. Such examples are numerous. The situation in the city of Derbent, where the Taty once commanded leading roles in the city's economic and political life, is especially grave. The republican government periodically condemns perpetrators, but no criminal cases have yet been filed.

The exodus of Jews from Dagestan in the last several years has intensified. According to the local branch of Sokhnut, an agency helping Jews emigrate to Israel, since the early 1990s the number of Jews in Dagestan has decreased threefold, although no reliable statistics are available. The only remaining synagogue is in deplorable condition, and the Jewish newspapers and theater no longer receive state financing. The Jewish cemetery in Makhachkala is regularly vandalized and raided by thieves looking for marble. Recently, a Jewish head doctor at a dental clinic was kidnapped for ransom.

Speculation about the future of Jews in Dagestan inevitably leads to the conclusion that the most likely outcome is an eventual and total exodus. All the factors that have been pushing the Taty out of the republic remain, including the unorganized nature of the Taty's reaction to persecution; their inability (or lack of desire) to organize an armed (and therefore, semi-criminal) unit, as other ethnic groups have done; the migration of mountain villagers into urban areas; and the indifference of authorities. So far, only those who cannot leave the graves of their parents unattended and those few who can make a good living in Dagestan have stayed. Of the latter group, some have been co-opted into the political establishment, partaking in the plundering of the republic's resources, while others are well-compensated specialists. Sooner or later, however, material well-being will not be enough, and, motivated by a sense of self-preservation, the Taty will have to make the only possible choice.

POLITICAL ECONOMY

WORLD BANK HOLDS BACK ON ST. PETERSBURG DOWNTOWN RECONSTRUCTION LOAN

by John Varoli

ST. PETERSBURG - Plans to reconstruct St. Petersburg's historic downtown suffered a setback recently when a World Bank official told the city administration that no loans would be forthcoming until the Russian and local economy began to improve.

City officials had hoped to soon sign a loan for as much as \$300 million in World Bank funds to finance reconstruction in the historic city center— an area that stretches from Bolshoi Prospect on the Petrograd side and the eastern most part of the Vasilevskii Island, to Ploshchad Vosstaniya, where the Moscow train station is located.

"The details of the loan will depend on the borrowing capacity of the city and that in turn depends on the macro-economic situation in Russia," said Felix Jacob, the World Bank project manager. "It is impossible to come up with a figure at this point, and the exact time when the loan would be made. Until that time [when Russia's macro-economic situation improves], we can't speak about the details of the loan."

Deputy governor Viktor Loktionov, who heads the city Construction Committee, said that World Bank funds would be used to renovate the city's historic center in time for its 300th anniversary in 2003. "Most important for us now is to reach an agreement with the World Bank, and the city is ready to do this," said Loktionov.

In May, the World Bank loaned the city \$31 million to finance feasibility studies and pilot projects for the overall reconstruction. Bank and city officials said that the necessary paper work and feasibility studies have been completed and, that despite the Bank's reluctance to begin the main project, actual work on three pilot projects will soon commence.

One pilot project is the reconstruction of a city block, bordering Nevskii Prospect, officially referred to as the 130th Kvartal (city block). Governor Vladimir Yakovlev's private apartment is located on this block. His press secretary said the choice of that area for the initial project had nothing to do with the governor owning property there.

IRKUTSK OBLAST BAILS OUT SAYANSK CITY BUDGET. Sayansk Mayor Sergei Butakov has signed an agreement with the Irkutsk Oblast administration to increase transfers from the oblast to the city. Butakov pointed out that the transfers are necessary because, on its own, the city cannot generate enough money to support itself even at a minimal level.

At the end of 1998, Sayansk had a debt of 131.2 million rubles. It owed 14.7 million rubles to public sector employees and 22.1 million rubles for children's benefits. During the course of 1998, the city's debts grew 37.3 million rubles even though it met 97 percent of its budget targets.

Since the city does not have enough income to deal with these debts (it is expected to bring in 69 million rubles this year), the oblast administration decided to provide an interest-free loan of 5.4 million rubles in the first quarter to pay public-sector employees working in the social sphere.

Mayor Butakov said that he plans to impose better controls on the city's income and expenditures. He also believes that the city can increase its income by making more effective use of city property.

The oblast tax police is also going to increase its oversight of the financial and commercial flows of the Sayansk Chemical Works, the factory that makes up the vast majority of the city's economy. Increased inspections will make the factory's taxes available to the city and oblast budget more quickly.

Among the other measures adopted, Deputy Governor Yurii Berezutskii will develop a plan by 1 March to increase the number of small businesses in the city. -
Teleinform in Irkutsk

SMALL BUSINESS

SAMARA BACKS SMALL BUSINESS. The Samara Oblast Duma has just adopted a law on supporting small business, which is becoming one of the main sources of income for the regional treasury.

This law will be the basis for all future legislation adopted to provide aid to the small business sector. It defines the main areas of support, including infrastructure, information, education, finances, property, and taxes. Financial support can range from direct grants from the administration to commercial bank credits to tax breaks. If banks make loans to small businesses at reduced interest rates, the law makes it possible for the administration to make up the difference.

In 1998, Samara boasted 22,000 small enterprises and 88,000 private businesspeople. In 1998, small businesses employed 153,885 people, 16 percent of the regional population, up from 99,806 in 1996. The sector pays 1.5 billion rubles a year into the oblast budget, making up 25 percent of the regional government's income. The number of small businesses in the production sphere is constantly growing, while those involved in retail trade has stabilized.

Regional authorities have been fostering small businesses since 1993. The oblast has put 6 million rubles of its own money into such enterprises. In 1998, the EBRD invested 32 million rubles and \$2.5 million in Samara's small businesses by granting credits. The federal fund to support small business allocated 6.25 million rubles to Samara Oblast for the same purpose.

Until now the measures to support small businesses have not been backed with legislation. Public opinion polls have shown that the growth of small business was slowed by the population's belief that the regional government's support was not a long-term policy. Sergei Savelev, the director of the Samara Oblast Department for Small Business, said that since the federal government ignores small business, regional policy had to be directed in support of this sector. - Konstantin Lange and Andrei Perla in Samara

ROSTOV BUSINESSMEN PROTEST NEW TAX. At the end of January, entrepreneurs from Rostov-na-Donu and Volgodonsk (190 km east of Rostov-na-Donu) picketed the Rostov Oblast Legislative Assembly building and city administration. They were angry about the second draft of a bill establishing a tax on imputed income for some forms of business. Small and medium businessmen had already declared the first draft of the law "irresponsible."

The scandal began in July 1998, when President Boris Yeltsin approved the use of the imputed income tax. The idea of the tax is to place surcharges on visible parts of a firm, making it harder for companies to avoid paying taxes by hiding their true income. Rostov joined Tula, Stavropol and Krasnodar in introducing the law 1 January 1999. Rostov now requires 17,000 trading firms and 70,000 entrepreneurs to pay the tax whose size is determined by the number of workers and the amount of production space they

have. In addition, the new law required that the businesses pay the tax one month in advance. Since the beginning of the year, Rostov has closed about 15 business establishments for failure to pay. Merchants in Volgodonsk tried to sit out the first part of the crisis by hanging "closed for the holidays" signs on their door until the middle of January.

Pressure from the businessmen and local dumas turned out to be strong enough to cause the oblast assembly to make a few corrections in the law 25 December 1998. As a result, private owners of taxis, buses, and parking lots were now exempt. The owners of cafes and stores still want to push back the date when the tax goes into effect until 1 April. But Governor Vladimir Chub opposes this idea because he believes that it could cost the oblast 40 million rubles in the first quarter. His administration is also unwilling to make concessions because it believes that most of the complaints are coming from the 40-50 percent of the businessmen who simply refuse to pay taxes. The owners of large trading enterprises share this opinion and believe that the complainers who don't pay taxes should be driven out of business.

Opponents of the tax believe that Chub exceeded his authority in levying it and have filed several law suits. The local Yabloko party has said that the tax violates the Russian constitution and international standards. Additionally, by closing stores, the law is increasing social tension by throwing people out of work. Traders who used to work in stores inevitably end up in outdoor markets where there are no cash registers and it is extremely hard for the authorities to tax them.

Volgodonsk Mayor Sergei Gorbunov has tried to make conditions better for local businessmen by adjusting the coefficients used to calculate their taxes. However, his efforts have not solved the problem. (Based on reports on the DonTR television channel, and in *AiF-na-Donu*, *Rossiiskaya trgovlya*, *Volgodonskaya pravda*, *Volgodonskaya nedelya*, and *Vechernii Volgodonsk*) - Marina Svetlova in Volgodonsk

FOREIGN TIES

BELARUS SEEKS TO RESTORE TRADE LINKS WITH RUSSIAN REGIONS.

Belarus is seeking to restore Soviet-era trade links with the Russian regions by setting up a network of Trade Houses. Three Belarusian concerns (the successors to the former industrial ministries) -- Belneftekhim, Belresursy, and Belleprom -- established the Trade House Belarus -- Volgograd in Minsk. The Volgograd governor, Volgograd city administration, the regional wholesale market, and the firm Soft (a leather factory) set up a similar institution in Volgograd. There are 17 similar enterprises in other Russian regions.

The idea originated in Minsk, so the Belarusians have a majority share in the enterprise. The Trade House's goal is to restore severed economic links and establish new ones. The Trade House encourages firms on each side to engage in barter due to the shortage of hard currency in both countries. The Trade House serves as a mediator, replacing long and complicated chains of smaller middle-men and mediator firms.

According to Trade House Executive Director Vladimir Sitnikov, barter offers a way to overcome broken ties and mutual debt. (*Gorodskie Vesti*, February 4, 1999) For example, vegetable oil from Uryupinsk (Volgograd Oblast) is sent to Belarus in exchange for tractor parts from Minsk (Belarus brand tractors are widely used in

Volgograd agriculture). In the city of Volzhskii, the Povolzhie brewery can purchase forage corn in Volgograd Oblast and exchange it in Belarus for barley, which is in demand in the Lower Volga region. Numerous other plants are involved in the deals.

Most of Volgograd's exports to Belarus are semi-finished, while Belarus sends technologically-advanced equipment to Volgograd. Sitnikov believes that because imports have become too expensive for most Russian consumers, relatively cheap and reasonably good quality consumer goods such as Belarusian refrigerators and knitted wear will sell well. - Ivan Kurilla in Volgograd

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Rutskoi Dismisses Kursk Prime Minister for Revealing Financial Problems

Ulyanovsk Governor Changes Charter To Allow Third Term

Primorskii Krai Authorities Battle over Vladivostok Council

Intense Battle Raging for St. Petersburg Legislative Assembly Speaker

Bryansk Mayor Resigns over Conflict with Deputies

Volgograd Elects New Duma Chairman

Elections 1999/2000

Nizhnii Leadership Divided Between Luzhkov, Titov Parties

Center-Periphery Relations

Federal Authorities Begin Investigation in Krasnoyarsk

Kazan Celebrates Power-Sharing Treaty's 5th Anniversary, But Problems Remain

Mass Media

Creation of National Television Network Causes Scandal in Yekaterinburg

Social Issues

Catastrophic Fire Hinders Samara Police Work

Advertisements

Annual Survey of Eastern Europe and the Former Soviet Union 1997

Transitions Magazine

BREAKING NEWS

POLITICS

FEDERAL AUTHORITIES TAKE CONTROL OF AIRPORT BACK FROM NOVOSIBIRSK. During the run-up to the 1996 presidential elections, Yeltsin transferred control over Novosibirsk's Tolmachevo airport to Governor Vitalii Mukha in exchange for canceling federal debts to the region to curry favor with the regional elite. Now, however, the president has issued a decree reasserting federal control over the airport's stock. The federal government explained its decision saying that it did not owe the oblast anything, so the transfer was invalid. In theory, the oblast could buy the shares for their ostensible value of 75 million rubles, but that would leave it with no money to pay public sector employees.

When he took office in 1995, Mukha had planned to turn Novosibirsk into a transportation center for all of Russia. The profitable airport has been one of the greatest accomplishments of his administration. Now he will have to coordinate his efforts with Moscow and share profits with the federal government. Mukha's critics will undoubtedly use these problems against him in the December 1999 gubernatorial elections (*Kommersant Daily*, 16 February). Although Yeltsin appointed Mukha governor in 1991, he removed him from office twice in 1993. Since Mukha's election in 1995, his relations with the federal government have been improving.

LEBED SIGNS AGREEMENT ALLOWING MOSCOW TO TAKE OVER LOCAL TV STATION. Krasnoyarsk Governor Aleksandr Lebed and Chairman of the All Russian State Television and Radio Company (VGTRK) Mikhail Shvydkoi signed an agreement on 9 February which transfers control of the local State Television and Radio Company "Tsentri Rossii" to the national network. A joint group still has to determine how much of the regional broadcaster's property will go to the federal government and how much to the krai government. In return for agreeing to the deal, Lebed was guaranteed access to airtime and the removal of the current director of the station, Konstantin Protopopov, whom Lebed did not like. Protopopov will likely be offered a job in Moscow. Shvydkoi did not appoint Lebed's man, Oleg Nelzin, as the new director but temporarily named his own subordinate, Vesti correspondent Gennadii Nikolaev, to this position. So far both sides are happy with the deal. (*Izvestiya*, 13 February). (For an analysis of VGTRK's efforts to gain control of its Sverdlovsk branch, see below.)

ECONOMICS

ROSSEL GRABS FURTHER CONTROL OVER ECONOMY. Sverdlovsk Governor Eduard Rossel has issued a decree that prevents shareholders in important oblast companies from firing their directors without first gaining the governor's approval. The decree affects all firms that have "significance for the social-economic situation of the oblast." To remove a director, the shareholders must now prove to Rossel that the replacement will be better. (*Izvestiya*, 16 February)

SMALLER DEMAND CAUSES NORILSK TO CUT NICKEL OUTPUT. Reduced world demand for nickel caused by the Asian economic crisis has caused the price for the metal to drop from \$8,000 a ton to \$4,000. As a result Norilsk Nickel, which produces 20 percent of the world's nickel, will cut output by 7 percent in 1999 in an effort to bring the price back up. Experts believe that the plant produces between 180,000 and 200,000 tons of nickel a year. Last year the price drop cost the plant an estimated \$600 million. To achieve the cuts, Norilsk Nickel's plant in Murmansk Oblast, Severonikel, will cut production 10 percent, while the main plant in Krasnoyarsk Krai will reduce its output by 5-6 percent. Large western nickel producers, such as Western Mining Corp. and Inco, are also planning to cut their output. (*Kommersant Daily*, 16 February)

ROSNEFT REGAINS PURNEFTEGAZ. The Yamal Nenets Arbitration Court has returned Purneftegaz to the control of Rosneft, the state-owned oil company of which it is the largest subsidiary. Last September four firms affiliated with the MEC company managed to buy a 38 percent controlling stake in Purneftegaz for \$10 million, much less than Purneftegaz is worth. Yamal Nenets Governor Yurii Neelov then tried to declare the company bankrupt. He said that he wanted to prevent it from falling into the hands of "swindlers," however, many observer believed that his real intention was to gain control over the company himself. However, the federal authorities, which hold 70 percent of Purneftegaz's debt, sided with Rosneft. (*Kommersant Daily*, 16 February)

SAMARA'S AVIAKOR FACES TOUGH TIMES. During the 1970s and 1980s, Samara's Aviakor produced up to 60 airplanes a year. Production has been much more modest lately: in 1995, the plant did not sell a single plane, in 1996, it sold one, three in 1997, and seven in 1998. With last year's output, it produced more planes than any other factory in Russia. The plant concentrates on producing the Tu-154M even though many experts consider it obsolete.

Although five years ago the plant was bankrupt, it now has few debts. The government owes the plant more than the plant owes to other creditors, but since the government does not pay, wages are now three months behind schedule. The plant also has big hopes for the production of the An-70 and An-140 models and will test demand abroad and in Russia for this plane later in the year (*Nezavisimaya gazeta*, 13 February). Last year Aeroflot had signed a deal to purchase 50 An-140 by the year 2005, but that deal does not seem to be moving ahead (*EWI Russian Regional Report*, 30 April 1998).

PATTERNS OF REGIONAL DEVELOPMENT

RUTSKOI DISMISSES KURSK PRIME MINISTER FOR REVEALING FINANCIAL PROBLEMS. On 8 December 1998 the Kursk Oblast Duma amended the regional charter to establish a new government, which would handle the majority of the oblast's nitty gritty, day-to-day economic concerns. Governor Aleksandr Rutskoi would merely monitor the actions of the government, allowing him to avoid direct responsibility for any unpleasant decisions the regional prime minister adopted. At the December meeting, the Duma elected Boris Suraev as the first Kursk prime minister.

Peaceful coexistence between Suraev and the governor lasted all of two months. During this time Suraev launched an extensive investigation of Kursk's economic

situation. Having examined the debts incurred over the two years since Rutskoi came to power, Suraev prepared a very interesting document which detailed how much money Kursk Oblast actually owed and to whom. The figures indicated that the oblast could be declared bankrupt.

On 12 February the paper was distributed to the governor, the chairman of the oblast дума, and the presidential representative in the oblast. The following day Rutskoi dismissed Suraev.

In trying to explain Rutskoi's decision, Oblast Duma Deputy Chairman Nikolai Ivanov, a member of the Communist Party of the Russian Federation, said, "I think that the governor considers this information to be confidential and its publication could hurt our ability to attract investors. Since Kursk Oblast is heavily indebted, no one will want to offer additional credits to the region. Rutskoi felt that this information was harmful to the oblast, and dismissed Suraev. By law the дума has the right to question the governor about this." - Sergei Sarychev

ULYANOVSK GOVERNOR CHANGES CHARTER TO ALLOW THIRD TERM.

Last week the Ulyanovsk legislature amended the oblast charter to make it possible for Governor Yurii Goryachev to seek a third term in 2000. In its previous edition, the charter prevented any individual from serving as governor for more than two terms in a row. The current edition says that no individual can be "elected" more than twice in a row. Goryachev served his first term, 1992-1996, as a Yeltsin appointee. He was elected to the office for the first time in 1996 and is therefore eligible to stand again. The oblast legislature made the change at the recommendation of the oblast Justice Department.

The legislature adopted the amendment very hastily. Legislative Assembly Chairman Sergei Ryabukhin skillfully convinced the deputies that the change was a matter of word choice rather than principle. However, Communist Deputy Viktor Oskin noted that now the oblast charter was basically written to meet the needs of the current governor. Deputy Valerii Kozhevnikov believes that the amendment was adopted in violation of the proper procedures since the author of the amendment was not identified and a proper explanation of the amendment's consequences was not provided.

In fact, the deputies did not even wait for the next session of the legislature to adopt the amendment, instead transforming a preliminary meeting into an extraordinary session. Most of the local media were not present. The legislature had used a similar parliamentary maneuver when it changed the list of expenditures in the oblast's 1997 budget.

Deputy Dmitrii Podlozhnyuk, a Goryachev supporter, believes that artificial term limits are absurd. If a governor is elected when he is 40, he noted, he would have to leave office when he reached the age of 48, when he had reached the height of his wisdom and activity. He also argued that federal legislation does not place any term limits on governors, merely requiring that they be elected in fair elections. He said that the governor, unlike the country's president, could not usurp power because his actions were being monitored by the federal authorities.

Given the close relations between the governor and the oblast legislature and the atmosphere in which the amendment was adopted, the change is clearly the result of bureaucratic intrigue. Obviously Goryachev will be one of the main contenders for the 2000 elections. He will have all the advantages of incumbency at his disposal: financial

support, media backing, connections, a powerful team of employees, and loyal social organizations. - Sergei Gogin in Ulyanovsk

PRIMORSKII KRAI AUTHORITIES BATTLE OVER VLADIVOSTOK COUNCIL. Vladivostok is likely to remain the only Russian city that does not have its own city council, at least until December. The results of the 17 January elections to the city дума are now being contested in the courts, preventing the new legislators from getting down to work. In fact, each day the number of deputies who apparently won election shrinks. At first, elections in 16 of the 22 districts were declared valid. But now that number has been reduced to ten, and even the legitimacy of those elections are in question. On 16 February, the courts began to hear a case that seeks to nullify the registration of all candidates in former Mayor Viktor Cherepkov's United City block, charging that they unfairly benefited from campaign propaganda in the newspaper *Primore*, which was published by Cherepkov's office.

By law, new elections should be held in the districts where the results were declared invalid on 16 May. However, Acting Mayor Yurii Kopylov, appointed by Governor Yevgenii Nazdratenko, said that he would not finance any elections until it was clear what the courts' final rulings would be and how many elections were needed. Nazdratenko backed this approach, saying "we don't need any new elections [for the Vladivostok City Duma]." He argued that the krai дума would be sufficient for the time being. Nazdratenko also called for changes in the membership of the city electoral commission, asserting that until the changes were made, elections would be of a "criminal character." Krai Electoral Commission Chairman Sergei Knyazev, who was responsible for disqualifying Cherepkov from the Vladivostok mayoral elections in September 1998, is also pushing for changes in the commission's membership.

Only Krai Duma Chairman Sergei Dudnik has protested. He said that everyone knows that Nazdratenko seeks unfettered rule in the krai's localities and that the krai дума would push to elect a legislature in Vladivostok. He warned that changing the membership of the electoral commission was "nothing but the desire of the politicians to influence the elections."

Despite these on-going battles, there have already been some changes in the city electoral commission which favor Nazdratenko and his allies. United City Chairman Konstantin Radchuk and Honor and Motherland (Krasnoyarsk Krai Aleksandr Lebed's party) Chairman Vladimir Kopylkov recently lost their seats.

Overall Nazdratenko hopes to put the Vladivostok city дума elections off until December, when the governor will also be up for election. Given the political sympathies of the local judges, the governor should be able to achieve his goal. - Yevgenii Popravko in Vladivostok

INTENSE BATTLE RAGING FOR ST. PETERSBURG LEGISLATIVE ASSEMBLY SPEAKER. The battle for the speakership of the St. Petersburg Legislative Assembly will likely continue through the spring and promises to be intense. A lot rides on the election since the speaker of the Legislative Assembly automatically becomes a member of the Federation Council and will wield considerable influence over the outcome of the 2000 St. Petersburg gubernatorial elections.

There are at least three candidates for speaker that would be favorable for Governor Vladimir Yakovlev. They are Arkadii Kramarev, Sergei Mironov, and Mikhail Tolstoi. Candidates in open opposition to Yakovlev, primarily from Yabloko and Yurii Boldyrev's bloc, have already been ruled out.

The most neutral candidates are Mironov and Kramarev. Mironov, who served as acting speaker last year following the dismissal Aleksandr Kravtsov, is very experienced and does not belong to any faction. While serving as speaker, Mironov was able to maneuver between the poorly managed assembly and Yakovlev. Mironov himself avoids directly answering questions about his candidacy to the speaker's post. However, he continually emphasizes that the speaker should be an independent and supported by a two-third majority of the deputies.

Kramarev belongs to the pro-governor St. Petersburg Raions faction. Nevertheless, he emphasizes, "I am not an active member of the faction and do not deal with politics." - Marina Makova in St. Petersburg

BRYANSK MAYOR RESIGNS OVER CONFLICT WITH DEPUTIES

By Nikolai Gorelov

BRYANSK - Last week Bryansk Mayor Nikolai Sarviro, a Communist elected to the post a year and a half ago, resigned. In recent months the city leader has continually complained that he had poor relations with the city council, even though it has a Communist majority. Several times Sarviro told the local media that he would finish out his term and then leave and it is not clear why he decided to leave early. The former mayor was not out of work for long, however. Bryansk Governor Yurii Lodkin appointed Sarviro as his first deputy for issues of local government.

Yabloko leader Andrei Ponomarev believes that by taking on Sarviro the governor decided to settle the conflict between the mayor and the city council that had been dragging on since September with as little blood as possible. Since then there have been numbers protests in the city organized by teachers, doctors, students and industrial workers. Moreover, the mayor was accused of involvement in several suspicious deals, for example, the purchase of 20 second-hand Volvo buses in Sweden for which the city overpaid by more than 2.5 million rubles (at a time when the Bryansk budget was 600 million rubles). Additionally, the city treasury has been trying to obtain an even greater sum from the Moscow-based FAST firm, which in 1996 was paid for 20 LIAZ buses. After taking delivery of three buses, however, the city declared the buses unacceptable because they were worthless after just three months of use.

Another conflict arose in December 1998 when the council fired two vice mayors. According to Communist Speaker Aleksandr Blakitnii, the individuals dismissed were responsible for Bryansk's poor economic situation. However, the mayor refused to carry out the deputies' wishes. Instead, he demanded additional powers over the city council. However, this issue was tabled for two months and is now moot following the mayor's resignation. Since Sarviro has begun to work as first deputy governor, he is effectively above the city council members.

According to the city charter, the new mayor will not be popularly elected. Those wishing to govern the city must announce their intentions to a committee consisting of

city council members and respected citizens. The committee will put identify five candidates for consideration by the city council, which will select the new mayor from the list. Bryansk's democratic parties and movements announced their intention to fight for direct mayoral elections, claiming that the current procedure is a violation of the residents' electoral rights. However, Bryansk Oblast Electoral Commission Chairman Viktor Goncharenko explained that Russian legislation permits the appointment of mayors through a competitive process and only a decision handed down by the Russian Constitutional Court could change the procedure.

VOLGOGRAD ELECTS NEW DUMA CHAIRMAN. Following elections on 13 December, the Volgograd Oblast Duma has elected Communist Victor Pripisnov, a professor at the Agricultural Academy, as its new chairman. The Communists won a commanding majority in the elections (see *EWI Russian Regional Report*, 17 December 1998). He replaced Our Home is Russia activist Leonid Semergei, who was an apolitical figure

Pripisnov has an unusual background for a Russian politician. Although he was born in Volgograd in 1930, he lived in Tajikistan since the age of six. In 1990-92, he was Vice Speaker of Tajikistan's Supreme Soviet. In 1992, following the beginning of the civil war in the former Soviet republic, he escaped back to Volgograd. As chairman of the regional legislature, Pripisnov is also automatically a member of the Federation Council. Thus he is now serving in his second national parliament.

During the period 1992-1998, he was not active in politics. Former Volgograd Governor Ivan Shabunin criticized the decision as unwise: "He is a person nobody knows in Volgograd". - Ivan Kurilla in Volgograd

ELECTIONS 1999/2000

NIZHNII LEADERSHIP DIVIDED BETWEEN LUZHKOV, TITOV PARTIES. As the December 1999 State Duma elections draw nearer, the two men at the top of Nizhnii Novgorod's political Olympus are in different political parties. At the founding congress of the Nizhnii Novgorod branch of Moscow Mayor Yurii Luzhkov's Otechestvo in early February, Nizhnii Governor Ivan Sklyarov gave his official support to the new organization. Winning votes for Luzhkov's party will not be easy since Nizhnii Novgorod Mayor Yurii Lebedev and the raion leaders he has appointed do not support Luzhkov. To secure an electoral victory, Sklyarov must somehow improve the life of the oblast's residents, at least psychologically. At the moment, the deck is stacked against him, and by extension Otechestvo, because there are considerable delays in paying pensions and public sector salaries. Moreover, the increased production figures the governor claimed for 1998 reflect inflation rather than real output growth. The likelihood of improving the situation before the December elections is slim.

In contrast to Sklyarov, Nizhnii Novgorod Legislative Assembly Speaker Anatolii Kozeradskii has joined the new political alliance recently formed by Samara Governor Konstantin Titov. The new party claims to include 20 regional executive and legislative leaders (see *EWI Russian Regional Report*, 4 February). Kozeradskii, who has never before joined a political party, said that by changing the membership of the State Duma, Titov's bloc would made the national parliament's lower house more responsive to the

regions.

Of course, while Sklyarov and Kozeradskii are apparently in opposing blocs, everyone knows that the two leaders maintain close ties. Local observers believe that the two men have agreed on their actions in advance.

Because of its importance within Russia, Nizhnii Novgorod could not escape participating in the establishment of a new movement of regional leaders. However, Sklyarov could not join Titov's bloc, which is aiming to limit the expansion of Luzhkov's party. So Kozeradskii became a member instead.

Some believe that Titov is creating his bloc to support Prime Minister Yevgenii Primakov as its presidential candidate in 2000. There has even been some speculation that Primakov and Luzhkov will form an alliance. Sklyarov rejects the possibility that such a union could take place, pointing out that if both Primakov and Luzhkov run for president they will be competing rather than cooperating. However, he would welcome an alliance between the two because then the Nizhnii leadership would be extremely well-placed in both camps. - Yurii Rodygin in Nizhnii Novgorod

CENTER-PERIPHERY RELATIONS

FEDERAL AUTHORITIES BEGIN INVESTIGATION IN KRASNOYARSK. A federal investigative team led by Deputy Minister of Internal Affairs General Vladimir Kolesnikov has been working in Krasnoyarsk Krai since 9 February. The team arrived following a personal agreement between Krasnoyarsk Governor Aleksandr Lebed and Minister of Internal Affairs Sergei Stepashin. Last year Kolesnikov headed up a special brigade that has been rooting out corruption in Dagestan (see *EWI Russian Regional Report*, 11 February 1999).

The brigade includes specialists in organized crime, economic crimes, and foreign economic activity. The unit is planning to carry out an unprecedented investigation of the region's non-ferrous metal industry, electricity generators, coal providers, and alcoholic beverage producers. Kolesnikov made clear that no one in the krai would be beyond investigation. He said that the main point of the investigation was to find out "what happened to the money" and determine why the population did not get it.

Kolesnikov said that one avenue of inquiry would be to investigate all contract killings that have taken place in the krai or in Moscow during the last 5-10 years. In broaching this topic, he was clearly indicating that he planned to follow up on the year-old accusations of *Izvestiya* journalist Aleksei Tarasov that Krasnoyarsk Aluminum Plant Board of Directors' Chairman Anatolii Bykov had murdered several of Krasnoyarsk's organized crime bosses. Bykov had helped finance Lebed's campaign, but is now one of his most bitter foes. According to *Kommersant Daily* (12 February), there is already evidence to suggest that the aluminum plant was illegally privatized. - Pavel Avramov in Krasnoyarsk

KAZAN CELEBRATES POWER-SHARING TREATY'S 5TH ANNIVERSARY, BUT PROBLEMS REMAIN. The Tatarstan government organized a noisy celebration to mark the fifth anniversary of its power-sharing agreement with Moscow, which was signed 15 February 1994. Among the festivities was a special academic conference and session of the State Council. Interestingly, Federation Council Yegor Stroeve and State

Duma Speaker Gennadii Seleznev sent congratulations even though both have criticized the practice of signing treaties between the federal government and the Russian regions.

The Tatarstan political elite and the republic's court intelligentsia regard the document to be of the greatest historical significance since they believe that it started the process of developing a truly democratic federal system in Russia. They also made many flowery speeches about Tatarstan's sovereignty and its special relationship with Russia.

In evaluating the treaty it is necessary to separate fact from fantasy. Among the facts one should note that signing treaties between the federal government and the regions is a legal process defined by the constitution (Article 11). Such treaties make it possible to take into account regional differences in geography, natural resource endowments, economic factors, ethnicity, and ecological concerns. In the absence of clear legislation on the power of the regional governments, treaties provide some guidance. Tatarstan's treaty was the first of its kind and has since stimulated the signing of 46 power-sharing agreements. (The 46th treaty was signed by the city of Moscow on 16 June 1998.)

Among its other accomplishments, the treaty helped reduce the level of tension in the relationship between the federal center and the republic and also helped reduce tension among some groups within the region. However, many understood even in 1994 that the local elite artificially increased this tension in order to blackmail Moscow with the threat of separatism if it did not sign the treaty. Former Tatarstan Prime Minister M. Sabirov has admitted as much, "It would have been a sin not to seek benefit from using the demonstrations of the nationalists and their endless protests. However, I always understood that there were very few such people in reality (*Vremya i dengi*, 12 February)."

Nevertheless, the treaty raises more questions than it answers. The preamble of the treaty says that its signers were guided by the constitutions of the Russian Federation and Tatarstan. However, how is it possible to be guided by two documents that contradict each other? Moreover, the treaty violates principles defined in both of the texts.

One of the key legal problems with the treaty is its sixth article which says that both Tatarstan's and Russia's organs of state power have the right to protest Russian or Tatarstani laws if they violate the treaty. Apparently, it did not bother anyone to place an agreement signed by the federal and republican executive branches above the law.

Another weakness of the treaty is that it was never approved by the Russian or Tatarstani legislatures and therefore they are not subordinate to it. In adopting legislation, these bodies never check to make sure that the new laws are in accord with the treaty.

Perhaps the biggest problem is that during the last five years many provisions of the treaty and its 12 related agreements have never been implemented.

Despite these issues, Tatarstan's political elite is happy to exploit the fifth anniversary of the treaty to support the myth about the special model of Tatarstan and the myth about themselves as the initiators of truly democratic federal relations in Russia. Most of the republic's residents did not do much to mark the event since they are more concerned with making ends meet and the absence of opportunities for overcoming the republic's poverty. Unfortunately, the treaty has done nothing to address these issues. - Midkhat Faroukshin in Kazan

MASS MEDIA

CREATION OF NATIONAL TELEVISION NETWORK CAUSES SCANDAL IN YEKATERINBURG. The process of creating an all-Russian broadcasting network on the basis of the All-Russian State Television and Radio Company (VGTRK) is creating scandals in many regions where the regional state television companies do not want to join the network. The president and government ordered the creation of the network in May 1998 to create a country-wide system of state broadcasting which supports state policy and ideology.

Russian Television (RTR), the country's second most important broadcaster after Russian Public Television, has not played such a role because the regional State Television and Radio Companies, which broadcast on the same frequency as the network, preempt RTR broadcasts for their own programming whenever they feel like it. Moreover the regional companies receive state funding and are registered as cultural institutions, but they are involved in commercial activities, making money on the side in violation of the law. The federal government has finally become fed up with these practices and is trying to collect all of the state broadcasters under its control.

The holding company currently includes 92 communications firms and 40 regional state television companies. The remaining regional broadcasters don't want to accept Moscow's control, naturally leading to scandal.

Sverdlovsk is just one example. The first problem is connected with the efforts of Vladimir Kostousov, the current head of the Sverdlovsk broadcaster, to preserve his job. Mikhail Shvydkoi, the head of the national holding company, and Sverdlovsk Governor Eduard Rossel have asked Kostousov to leave many times. When Rossel tried to fire him in 1998, however, the courts restored him to his position (see *EWI Russian Regional Report*, 9 April 1998). Kostousov now claims that no one has the right to fire him. He argues that creation of the national holding company would create a propaganda monster similar to the Soviet Union's now defunct Gosteleradio. Local observers point out ironically that this approach to broadcasting should not bother Kostousov because his own methods have changed little since the Soviet era.

Several other employees of the Sverdlovsk broadcaster have also expressed their opposition to joining the national network. Currently about 400 people work at the station to broadcast about 4 hours a day of programming. Once the Sverdlovsk station joins the holding company, the headquarters in Moscow will dole out money in very limited quantities. It will also be very difficult for the Yekaterinburg station to engage in commercial operations, since Moscow will take over these functions. Moscow will also likely reduce the amount of broadcast time available for local material. Under the current system many employees make good salaries, especially since they can sell advertisements for commercial rates and then pay taxes at the lower levels allowed to cultural institutions. Naturally the employees fear that these favorable conditions will soon come to an end.

In essence, the state is finally waking up and trying to regain control over its property and broadcast time. Those who benefited from the state's weakness now do not want to help in the process and do not recognize the state's right to gather up its property. The final result will depend on the will of the state to follow the process through to its

logical conclusion. There should not be a long wait since the holding must be formed by 1 March. - Natalia Mints in Yekaterinburg

SOCIAL ISSUES

CATASTROPHIC FIRE HINDERS SAMARA POLICE WORK. A devastating fire in the Samara offices of the Ministry of Internal Affairs on 10 February took the lives of more than 60 people, including many of the region's leading crime fighters. Arson is suspected, although no suspects have been caught. At first officials like Minister of Internal Affairs Sergei Stepashin and the head of the oblast's regional branch, Major General Vladimir Glukhov, said that the fire would not clear the way for an increase in regional crime. But now the situation is not so clear.

According to ministry employees who survived the fire, some investigators involved in important cases had begun to receive anonymous phone threats before the fire started. Experts have also pointed out that it will be difficult to revive the work of the departments that handled economic crimes and conducted investigations since many of the leading members of these teams perished in the flames. Training such investigators takes decades. Simply taking the best investigators from the neighborhood (*raion*) level to fill in the gaps will decapitate these divisions.

To make the situation worse, shortly before the fire Glukhav had removed the head of the Samara City Police, Vladimir Popov, and has yet to replace him. Most of the surviving oblast force has now moved into the offices of the city police, causing severe overcrowding. Neighborhood police precincts will take the lead on most serious crimes and it is not clear that they will have the resources to deal with them. - Andrei Perla in Samara

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RRR Editors

EWI Russian Regional Report
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The EastWest Institute (EWI) works to defuse tensions and conflicts which threaten geopolitical stability while promoting democracy, free enterprise and prosperity in Central and Eastern Europe, Russia and other states of Eurasia. The EWI is an international not-for-profit institution established in 1981. It works through centers in New York, Moscow, Prague, Kyiv, Budapest, Brussels and Kosice. The EWI is a global network of relationships with leaders in the business, governmental, non-governmental and intellectual communities based on shared values and dedicated to providing assistance to regional leadership to address critical issues at both the local and global levels.

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Numerous Problems Plague Dagestani Elections

New Komi State Council Maintains Status Quo

Buryatiya's Anti-Crisis Program Offers Little Hope
Center-Periphery Relations
Yeltsin Dismisses Representative in Primorskii Krai
Chernogorov Demands Additional Budgetary Support for Stavropol
Federation Council
Federation Council Examines Skuratov Case
Elections 1999/2000
Otechestvo Grows in Bashkortostan
Political Economy
Ryazan Administration Loses Chicken Factory
Small Business
During Crisis, Komi Turns to Small Business

BREAKING NEWS

GOVERNORS CHOOSE POLITICAL BLOCS. Although governors like to portray themselves as "pragmatic managers" who do not get involved in the dirty business of politics, the progression of the electoral cycle leaves them little choice. As the December 1999 State Duma and 2000 presidential elections approach, Russia's governors are dividing into clear electoral blocs. But while such divisions are becoming clearer, many governors remain extremely cautious about declaring their political allegiance to one party. As the number of alternatives increases, many governors are having difficulty selecting just one party to support and often join two to keep their options open. Below, we present an overview of the emerging political groupings.

The electoral season is just beginning and the regional leaders will likely change their affiliations several times as events develop. Moscow Mayor Yurii Luzhkov's inability to attract gubernatorial support suggests that his campaign may already be in trouble because it will have a hard time winning support outside of Moscow. While Prime Minister Yevgenii Primakov is currently popular with the governors, as recent Federation Council votes on the 1999 budget and Ukrainian treaty show, his attempts to impose a strict hierarchy from the Kremlin to the regions may quickly change the governors' opinion of him.

RUSSIA'S VOICE. Samara Governor Konstantin Titov announced the formation of his regional bloc, provisionally titled Golos Rossii (Russia's Voice), at a 28 January 1999 press-conference. Titov said the bloc, which was founded with an eye toward the upcoming State Duma elections, will focus on issues of federalism. The ultimate goal is to improve the conditions of all Russian regions "to the level of Tatarstan." Russia's Voice clearly competes with the other new political bloc, Moscow Mayor Yurii Luzhkov's Otechestvo (see below), which was founded in December.

Russia's Voice will likely have internal difficulties since some of members are rightist, such as Titov, while others, such as Kemerovo Governor Aman Tuleev, are farther to the left. On 17 February nearly 30 members of the Federation Council signed an appeal calling on the public to support Titov's group (see list at the end of this section).

The appeal criticizes the current federal system as a unitary state in which the federal government robs the rich regions without aiding the poor ones. The current

federal government does not work effectively in the regions, the statement argues, so the bloc hopes to fundamentally change the membership of the lower house.

Since the bloc was not registered one year before the State Duma elections, it must find a partner that was registered by last December in order to compete on the party-list section of the ballot. (Half of the members of the lower house are elected in single-member districts and half are elected from party lists.) Titov said that the party may work with Viktor Chernomyrdin's Our Home is Russia (NDR), of which many of the governors are members. Titov effectively remains the number two man in NDR; one of the main ideologists and organizers of the new regional bloc is Aleksandr Shokhin, the former leader of the NDR State Duma faction. Chernomyrdin, however, has been skeptical of Titov's activities and may not be willing to cooperate.

In the presidential campaign, Titov's bloc may back Prime Minister Yevgenii Primakov, if he decides to run. Although Primakov has sought to reduce the governors' power by making them directly subordinate to the president, he would be less of a threat to the regional executives as president than would Luzhkov.

Titov's allies include: Penza Governor Vasilii Bochkarev; Kaliningrad Governor Leonid Gorbenko; Perm Governor Gennadii Igumnov; Marii El Governor Vyacheslav Kislitsyn; Khakasiya Governor Aleksei Lebed; Chukotka Governor Aleksandr Nazarov; Tver Governor Vladimir Platov; Vologda Governor Vyacheslav Pozgalev; Tyumen Governor Leonid Roketskii; Kirov Governor Vladimir Sergeenkov; Chelyabinsk Governor Petr Sumin; Kemerovo Governor Aman Tuleev; Karachaevo-Cherkessiya Governor Vladimir Khubiev; Magadan Governor Valentin Tsvetkov; and Rostov Governor Vladimir Chub. Fourteen regional legislative leaders signed on as well (*Kommersant Daily*, 19 February).

OTECHESTVO. Moscow Mayor Yurii Luzhkov's bloc, which held its founding congress in December 1998, has lined up some gubernatorial support, but not as much as the mayor would like. The party's political council does not include any governors. Nevertheless, Luzhkov can count on Nizhnii Novgorod Governor Ivan Sklyarov, Mordoviya's Nikolai Merkulshin, and Yaroslavl's Anatolii Lisitsin. Among the governors who helped organize the new party are Novosibirsk's Viatalii Mukha, Murmansk's Yurii Yevdokimov, Komi's Yurii Spiridonov, Kareliya's Sergei Katanandov, and Arkhangelsk's Anatolii Yefremov.

Many governors do not support a Luzhkov candidacy because he would try to concentrate considerable power in the Kremlin. Additionally, many of the governors do not support his foreign policy positions. Over Luzhkov's strenuous objections, the Federation Council on 17 February ratified the Russian-Ukrainian treaty by a vote of 106-25, with 17 abstentions. *Kommersant Daily* described this vote as Luzhkov's "primaries." Otechestvo seeks to impose strict party discipline. Russia's Voice, in contrast, has only informal leadership in the person of Titov and seeks to give the governors maximum autonomy within the organization. (*Nezavisimaya gazeta*, 19 February)

Because Luzhkov has been unable to attract the support of many governors, he has turned to mayors as a potential base. On 19 February, he called the mayors of 100 cities to Moscow ostensibly for a discussion of urban economies. The real purpose of the meeting, however, was to respond to the creation of Titov's bloc. Russia's mayors are

often in conflict with their governors, so it would be logical for Luzhkov to turn to the mayors if he cannot win the support of the governors. Cities are usually net contributors to regional budgets and the governors often take the city's money and redistribute it to rural areas, against the mayors' bitter protests.

OUR HOME IS RUSSIA. Viktor Chernomyrdin's Our Home is Russia, once the party of power, which boasted the membership of more than 50 governors, is now down to a handful of loyal regional executives. The hard-core support for Chernomyrdin is limited to Orenburg Governor Vladimir Yelagin, who governs the region where Chernomyrdin spent much of his career; Tyumen Governor Leonid Roketskii, who also signed his name to Titov's bloc; and Samara Governor Dmitrii Ayatskov, who maintains ties with Chernomyrdin but is carefully saving a place in a variety of other parties as well.

At a meeting of the party's leadership on 16 February, regional leaders complained that they had very little information from the Moscow office and only read about a variety of disputes between the top leaders in the press. (*Nezavisimaya gazeta*, 18 February)

COMMUNISTS and AGRARIANS. As the new blocs form, many governors remain close to the country's major national political parties. Of these, the Communists and Agrarians have the largest following. Their ranks include Altai Krai Governor Aleksandr Surikov; Amur Governor Anatolii Belonogov; Bryansk Governor Yurii Lodkin; Tambov Governor Aleksandr Ryabov; Tula Governor Vasilii Starodubtsev; Vladimir Governor Nikolai Vinogradov; Voronezh Governor Ivan Shabanov; Stavropol Governor Aleksandr Chernogorov; and Volgograd Governor Nikolai Maksyuta. If, as expected, the Communists and Agrarians run separate lists, governors like Starodubtsev will support the Agrarians.

LEBED. Krasnoyarsk Governor Aleksandr Lebed also has obvious presidential ambitions and may try to win supporters in the Duma. However, his difficulties in managing the krai economy significantly diminished his chances for success. He has few allies among the other governors, but could presumably expect support from his brother Alexei, the president of Khakasiya (and a signatory of the Titov bloc) and Murmansk Governor Yurii Yevdokimov, who won election with the support of the Lebed party, but has moved much closer to Luzhkov in recent months.

ZHIRINOVSKY. Vladimir Zhirinovsky's party has elected only one governor, Pskov's Yevgenii Mikhailov, although Zhirinovsky has announced plans to compete in gubernatorial elections set for this summer in Sverdlovsk and Leningrad oblasts. His party is in danger of losing its core supporters and may not have enough votes to cross the five percent threshold.

PRAVOE DELO. The right-center bloc (*Pravoe delo*) of Yegor Gaidar, Anatolii Chubais, Boris Nemtsov and Sergei Kirienko has the support of Tver Governor Vladimir Platov (also a Titov signatory), Vologda Governor Vyacheslav Pozgalev (another Titov signatory), and Altai Republic President Semen Zubakin. Zubakin is the only governor who is a member of Gaidar's Russia's Democratic Choice party. Gaidar's party was just

shy of the 5 percent barrier in the 1995 elections and the addition of Chubais, Nemtsov, and Kirienko seem unlikely to add much to his popularity.

REGIONAL PARTIES. Some regional leaders have their own parties and do not plan to join others. Sverdlovsk Governor Eduard Rossel established his Transformation of the Urals party in 1993 and does not plan to join either of the new blocs. Krasnodar's Nikolai Kondratenko has his own party as well, ironically named Otechestvo, the same as Luzhkov's. Others, like St. Petersburg Governor Vladimir Yakovlev and Kalmykiya President Kirson Ilyumzhinov have not made any commitments yet. (*Nezavisimaya gazeta*, 17 February)

One of the major questions marks remains where powerful republican leaders like Tatarstan President Mintimer Shaimiev will come down. His recent illness has prevented him from pursuing his desire to start his own regional party. (*Nezavisimaya gazeta*, 17 February) Last year Shaimiev made clear that he would support a Primakov presidential candidacy.

PRIMAKOV SEEKS TO WEAKEN GOVERNORS' POWERS. During a trip to St. Petersburg and in meetings with the North-West Inter-Regional Association on 20-21 February, Prime Minister Yevgenii Primakov reiterated his calls for directly subordinating governors to federal authorities. He suggested that next year the Constitution be changed so that special bodies would elect governors from candidates suggested by the Russian president. Primakov said the connection between the Kremlin and the governors "should be a solid line, not a dotted line." (*Moscow Times*, 24 February) The governors are now directly elected by their constituents. Primakov also repeated his opinion that 89 regions were too many for Russia and suggested that the eight economic associations had a better future.

The governors clearly recognize that Primakov is trying to usurp their power and responded with harsh criticism of federal policies. They pointed out that the 1999 budget, which gives the federal budget a larger share of the income and value-added taxes, had deprived the regions of much of their income. The governors made this complaint even though the Federation Council approved this budget on 17 February with a vote of 134-18. Novgorod Governor Mikhail Prusak's speech was the most critical, according to *Kommersant Daily* (23 February). He blasted the government and companies such as Gazprom and MENATEP for making life difficult in Novgorod. When Primakov suggested that it was possible to solve some problems at the regional level, Prusak exploded, saying, "I never interrupt anyone, and don't allow anyone to interrupt me."

Primakov would not need to amend the Constitution to have the president appoint the governors. On 16 January 1995 the Constitutional Court issued a special ruling stating that since the Constitution states that the people have the right to choose their leaders, it was possible to elect governors. (*Izvestiya*, 23 February) However, the Constitution does not explicitly state that they should be elected.

In theory, governors who fear that they will not be re-elected by their constituents might be interested in giving up such elections in favor of securing a presidential appointment. However, if the president is directly elected, he would hardly want to appoint governors who did not have much popular support in their own regions. If the

regional elite and the federal authorities cut a deal to abandon direct elections all together, the consequences would be unpredictable.

FEDERAL GOVERNMENT LAUNCHES CRACK DOWN ON AVTOVAZ. The Russian procurator general has opened a corruption investigation at AvtoVAZ, Russia's largest car manufacturer. The procurator's office said that it could charge current and former officials with embezzlement, tax evasion and improper use of foreign currency. (*Nezavisimaya gazeta*, 20 February) The campaign is likely just part of the overall crackdown on Boris Berezovskii, whose LogoVAZ dealership made enormous amounts of money selling AvtoVAZ cars. AvtoVAZ officials allegedly condoned Berezovskii's activities, which hurt the factory, because they received kickbacks.

Enforcing the crackdown may be difficult in the wake of the recent fire that destroyed the Samara Oblast Ministry of Internal Affairs office. AvtoVAZ is located in the Samara Oblast city of Togliatti. Investigators had determined before the fire that eight criminal groups controlled 80 percent of the plant's output through various dealership networks. The fire has now eliminated much of the evidence and the very people who gathered it. (*Kommersant Daily*, 20 February) The fire was not deliberately set, according to the authorities' latest theories. (*Kommersant Daily*, 18 February) It likely began either from cigarette butts or an electrical teapot that was not switched off.

INGUSHESTIYA CANCELS REFERENDUM. On 19 February, Ingushetiya President Ruslan Aushev and Presidential Chief of Staff Nikolai Bordyuzha signed an agreement that gives Nazran, Ingushetiya's capital, a say in the appointment of law and order authorities in the region. Minister of Internal Affairs Sergei Stepashin said that the federal and republican authorities would name a new Ingushetiya minister of internal affairs shortly. Aushev also received the power to pardon some crimes that are connected with local traditions. On the basis of the agreement, Aushev cancelled plans to hold a referendum on the issue on 28 February (see *EWI Russian Regional Report*, 21 January). The federal authorities had declared the referendum illegal. (*Nezavisimaya gazeta*, 20 February)

HOST LEAVES TV CENTER. TV Center host Mikhail Leontev has left the network controlled by Moscow Mayor Yurii Luzhkov to take a position at Russian Public Television. Leontev said that he left partly because he feared increasing political pressure as the elections approach. Leontev was the most respected journalist at the station and will be hard to replace. TV Center is viewed as one of the keys to Luzhkov's electoral campaign. (*Moscow Times*, 19 February)

PATTERNS OF REGIONAL DEVELOPMENT

NUMEROUS PROBLEMS PLAGUE DAGESTANI ELECTIONS. On 7 March Dagestan will hold parliamentary elections in its 121 electoral districts as well as a referendum on the introduction of the presidency in the republic. There are several trends apparent in the electoral campaign, some of which are common to all Russian regions, and some of which are unique to Dagestan.

1. The "party of power" is the favorite to win.

Officials working for the republican or local governments cannot simultaneously hold seats in the legislature according to Dagestan's Constitution. If such officials run, they must pledge to take a leave of absence during the campaign and resign their jobs upon election. However, in the current parliament, more than two-thirds of the members violate this principle. Many city and rural executives as well as other officials are among the legislative candidates. Only *Molodezh Dagestana* Editor Gadzhi Abashilov has taken a leave of absence during the campaign. The others are taking advantage of their positions to improve their electoral chances.

Makhachkala Mayor Said Amirov has formed the largest electoral bloc "Legality, Order and well-Being for Dagestan." It includes key city officials, directors of enterprises controlled by Amirov and the leaders of the city's retail traders who are also under Amirov's control. Other officials in the city refuse to support independent candidates because they do not want to ruin their relations with the city administration. A similar situation prevails in other Dagestani cities.

2. Criminalization of the parliament.

The current republican parliament has 35 members who have been convicted of crimes and five who are under investigation. Although the authorities have tried to reduce the number of criminals in parliament, several men under investigation are running. They include Magomed Khachilayev, leader of the Lak national movement, who allegedly organized the armed seizure of the republic's executive building on 21 May 1998 (see *EWI Russian Regional Report*, 21 May 1998) and former Dagestani Justice Minister Tazhutdin Bezhamov, who was arrested for embezzling state funds.

3. Violation of the electoral law.

Candidates receive 50 minimum wages (4,150 rubles) to wage their electoral campaigns. To augment that small sum, candidates commonly spend their own money to pave roads, fix apartment building entryways, etc. Not a single candidate has been disqualified for such activities. Most candidates print their campaign material with private publishers and do not provide the required publication information, so it is impossible to monitor their spending. The media also publish favorable articles about some candidates in material that is not explicitly labeled as being part of the campaign.

4. Opposition prevented from registering.

Most opposition candidates to the current republican leadership were denied registration for the elections. For example, the electoral commission refused to register Professor Viktor Ulyanenko, a well-known Communist. The commission claimed that the signatures collected in support of his candidacy had been forged. In his district, a member of Mayor Amirov's bloc is now competing unopposed. At least two other candidates were able to win registration by appealing to the courts.

5. Women's districts overturned.

Although Dagestan has a Muslim and patriarchal society, the legislation for the 1995 elections to the Dagestani parliament provided for the creation of five districts set aside

for women. However, only three women ended up serving in the legislature, as men sued to participate in the other two districts and subsequently won their races.

This time the electoral law set aside seven districts for female candidates. Two male candidates who had been planning to run in the districts that were suddenly designated for females appealed to the Constitutional Court. The court sided with the men and ruled that it was unconstitutional to designate certain districts for women only. The men argued that their rights had been violated because the women could run in any district, while the men were excluded from the women-only districts. Now, of the more than 400 candidates for the republican legislature, only 23 are women.

6. Ethnic Russian representation

Even though ethnic Russians have been leaving Dagestan, the number of seats set aside for them in the 1995 elections under Dagestan's ethnic quota system increased by one. And that number was recently increased again, from nine to ten seats. That occurred despite the fact that there are now fewer ethnic Russians in the republic than there were four years ago: estimates suggest that between 15,000 and 20,000 ethnic Russians left the republic since 1995. Moreover, all three Russian districts in Makhachkala will elect so-called "professional" deputies, of which there are 11. "Professional" members work in the parliament on a full-time basis, while the other members serve part-time while retaining another job to support themselves. Thus Russians will make up 27 percent of the professional deputies, a much larger proportion than they represent in the population as a whole.

Given these trends, one can question the overall legality of these elections. The executive branch is not monitoring the activities of the candidates, most of whom are themselves employees of the executive branch. In many cases, candidates are buying votes, using their offices to campaign and squeezing out candidates who do not represent the republican party of power. The violations suggest that the new parliament will pay little heed to legal norms and will be largely under the control of the executive branch. -Nabi Abdulaev in Makhachkala

NEW KOMI STATE COUNCIL MAINTAINS STATUS QUO. On 22 February the newly elected Komi Republic State Council re-elected Vladimir Torlopov as its chairman in an unopposed contest. Torlopov had the support of Komi executive Yurii Spiridonov. Torlopov's chairmanship of the Federation Council Committee on Social Issues has won him wide respect among the members of the Komi parliament, so no one stepped forward to oppose him. Spiridonov and Torlopov have worked together successfully in the Federation Council and have cooperated in defining regional policy. Spiridonov is particularly happy with Torlopov's apparent lack of over-weening political ambitions. Ivan Kulakov and Valerii Markov were re-elected deputy chairmen, though Markov was challenged by Yabloko Deputy Vasili Kuznetsov.

The council decided to keep the number of parliamentary committees at three. The committees for social policy and for legislation and deputy ethics will continue to be headed by Galina Kravchenko and Valerii Potolitsyn, respectively. Felix Karmanov replaced Kuznetsov as the head of the committee on the budget, taxes and economic policies. Kuznetsov had been Spiridonov's main rival in the republic's recent presidential

elections, and was an inconvenient critic of the republican authorities. Thus, the new parliament remains firmly under the control of the "party of power." - Yurii Shabaev in Syktyvkar

BURYATIYA'S ANTI-CRISIS PROGRAM OFFERS LITTLE HOPE

by Andrei Khodoev

ULAN-UDE - In January the Republic of Buryatiya government announced its anti-crisis program for 1999-2002, "From Strategies for Surviving the Crisis to Strategies for Economic Development." The republic needed to adopt some sort of mid-term program to address its dire economic problems. After the August crisis began, sales in Buryatiya dropped 40 percent. There are three times as many imports to the region as exports and the flight of cash is making it impossible to collect taxes in full.

Specific issues stressed in the program include strengthening the role of the state in regulating the economy, relieving enterprises of debts and limiting their unnecessary expenses; lowering the tax burden on goods producers; and developing mechanisms for stimulating the flow of investment into the real sector.

The program is geared toward improving the material situation of the population, a difficult task since the number of fee-based municipal services is expected to increase while the population's real income will likely drop 4 percent. Additionally, Buryatiya's parliament, the Narodnyi Khural, instituted a 5 percent sales tax, the maximum allowed for Russia's regions. The new levy was hastily adopted and caused considerable confusion among shop keepers who did not know where to set their prices.

Essentially, the anti-crisis program lacks new approaches. One member of the government ironically characterized it as "proposals for a Soviet-era Communist Party congress."

At the end of January President Potapov sent the Khural a message emphasizing the most important directives and tasks for 1999-2002. In 1999 Potapov expects Buryatiya's gross domestic product to grow one percent. Yet, the volume of investment is expected to be 10 percent lower than in 1998. It is not clear how economic growth will be attained given such projections. On the same day the newspaper *Pravda Buryatii* published a presidential appeal to the people, enthusiastically entitled, "We have everything needed to live properly." In his appeal, Leonid Potapov stated that "we believe in the lucky star of Buryatiya and look to the future with optimism."

CENTER-PERIPHERY RELATIONS

YELTSIN DISMISSES REPRESENTATIVE IN PRIMORSKII KRAI. On 23 February President Boris Yeltsin dismissed his presidential representative in Primorskii Krai, General Viktor Kondratov, who was simultaneously serving as head of the regional branch of the Federal Security Service (FSB). Kondratov retains his FSB position, at least for the time being. Yeltsin's decree hands Governor Yevgenii Nazdratenko a significant victory. Unlike his predecessor Vladimir Ignatenko, Kondratov was harshly critical of Nazdratenko from the start. Moreover, he frequently supported the governor's

longstanding enemy, former Vladivostok Mayor Viktor Cherepkov. (For the decree, see http://www.maindir.gov.ru/Administration/Press_Release/Feb/svwi3849.html).

Kondratov's dismissal was not unexpected since it had been rumored for several months. Vice-Governor Konstantin Tolstoshein indirectly alluded to Nazdratenko's future triumph in a recent television appearance when he came down harshly on Kondratov, accusing him of misusing his power. Just days before Kondratov was dismissed the Russian Public Television program *Top Secret (Sovershenno sekretno)* ran a story about the sale of the Vladivostok shipping company Vostoktransflot abroad. General Kondratov was accused of illegal dealings and the activities of his son were also called into question.

Nazdratenko felt no need to be diplomatic in explaining his feelings about the dismissal in a telephone interview with the newspaper *Vladivostok*. He described Kondratov's activities as "a parody of what a presidential representative should do" and charged that he had "compromised presidential power." According to the governor, "the general was completely incompetent in economic issues," and "sent inaccurate information to Moscow about events in the krai."

Vladivostok cited unconfirmed reports that the governor had recommended his deputies Tolstoshein and Viktor Kretsu as Kondratov's replacement, but these proposals did not receive support in the Kremlin.

At present it is unclear whether or not Kondratov will remain at the head of the Federal Security Service for Primorskiy Krai. Federal Security Service Director Vladimir Putin requested that Yeltsin dismiss Kondratov from his position as presidential representative so that he could concentrate fully on his FSB duties. - Yevgenii Popravko in Vladivostok

CHERNOGOROV DEMANDS ADDITIONAL BUDGETARY SUPPORT FOR STAVROPOL

by Irina Morozova

PYATIGORSK - Stavropol Krai Governor Aleksandr Chernogorov told the Federation Council on 17 February that he believes that federal plans for reforming the fiscal relationship between the center and regions in 1999-2001 do not provide guarantees for meeting the population's minimum social needs, perpetuate financial inequality among regions and promote the further polarization of living standards. In particular, he argues federal spending provisions do not take into account the regional problems Stavropol Krai is experiencing in the aftermath of the Chechen war. For several years Chechens have conducted armed attacks in populated areas of Stavropol Krai, kidnapping and killing people, as well as stealing technical equipment and livestock. Hundreds of krai residents are numbered among the missing, and at least 30 have been taken hostage.

The number of victims grows daily. Unprotected residents in border districts are prepared to use extreme measures, including lynching, if the state does not take some concrete steps. According to Chernogorov, it is not difficult to foresee that an extremely dangerous and unfortunate situation will develop in the border territories if local residents, the Cossacks in particular, take it upon themselves to guard their personal

safety. Chernogorov believes that it is necessary to use legislative measures to support the krai's eastern districts and their administrative borders.

Stavropol Krai has moved into first place among Russian regions for the number of refugees on its territory. There are 70,000 officially registered forced migrants, including 40,000 from Chechnya, but the real number of refugees is estimated at 300,000-400,000. The end of the Chechen war has not reduced these trends. Now there is a greater influx of particularly needy groups, including single-parent families, families with many children, the handicapped and aged. The number of relocated persons of retirement age has risen from 10 percent to 23 percent.

The situation of soldiers' families adds to the difficulties. The massive, unsystematic dispatching of forces to Stavropol, especially during the winter, has put a heavy financial burden on the krai government, enterprises, and population since they must supply lodging, transportation, food, clothes, and other materials.

With the recent arrival of these refugees and servicemen, currently every fifth resident of Stavropol is not accounted for in the budget. This additional strain on healthcare, education and services for veterans and the handicapped threatens to lower the population's social standards. In spite of the Russian government's special decree on adopting urgent measures for stabilizing the situation in the krai, there has been practically no financial support for the most critical problems: payments for refugee and military children residing in the krai; funds for a new network of refugee organizations; the development of social infrastructure in areas where military units are located; expansion of the network of educational institutions, hospitals and cultural establishments; cancellation of debts to krai organizations for reconstruction work in Chechnya; notification of the dissemination of particularly dangerous diseases as a result of the war and the worsening social condition; and strengthening the krai's administrative borders and the maintenance of its checkpoints. Since the krai has not received sufficient support to address these problems, Chernogorov feels it is necessary that Stavropol be categorized as a "depressed region" and thus receive additional benefits.

FEDERATION COUNCIL

FEDERATION COUNCIL EXAMINES SKURATOV CASE. At the 17-18 session of the Federation Council, the senators discussed the resignation of Russian Procurator General Yurii Skuratov. Among its constitutional obligations (Article 102), the upper house must approve the appointment and dismissal of the country's top procurator.

Skuratov resigned on 1 February, and was admitted to the hospital the following day with chest pains. Officially he blamed his resignation on his poor health, which allegedly prevented him from managing his increasing work load and fully carrying out his obligations. However, many are skeptical of this explanation since Skuratov never complained about health problems before and had extensive plans for the future.

Nevertheless, Yurii Yarov, the president's representative in the Federation Council, claims that Skuratov gave him the same explanation when he visited Skuratov in the hospital. Yarov stated, "I am certain that there was no pressure on Skuratov to resign. It was his own independent decision." Yarov proposed that the senators ratify the procurator's resignation.

However, Yarov's arguments did not satisfy the Federation Council members. First of all, they were not comfortable with dismissing the procurator in his absence. Moreover, such a resignation from a person who had not been in the hospital for several years seemed unbelievable. There had been rumors in the press that Skuratov resigned under pressure, threatened that materials of a compromising nature would be made public if he did not leave office. Some have suggested that Skuratov was gathering information on the oligarchs and forcing his removal was their revenge.

According to Amur Oblast Governor Anatolii Belonogov, "it is not entirely clear how to make a judgement when the person involved is in the hospital. When he leaves the hospital, then we can discuss this matter with him and adopt the appropriate decision." Voronezh Governor Ivan Shabanov agreed with this opinion. "Of course, if Skuratov has proven to be spineless and without character, then he should be removed. This, however, is unlikely, and therefore we need to hear him out. The situation in the country demands that we seriously discuss fighting crime and not just simply remove and appoint procurators. In recent years we have changed procurators three times."

Magadan Oblast Governor Valentin Tsvetkov feels that bringing Skuratov before the Federation Council will not solve the problem. "Of course the procurator will not ask to return to his position and, if he was pressured to resign, he will not say who forced him to make this decision." Tsvetkov emphasized that the country's situation should be investigated by a new procurator. He stated that, "The country's present situation makes it dangerous to be without a procurator. We need to move this process along more quickly."

In the end, the senators decided that Skuratov should report to them on his work. They voted to postpone a vote on the issue until he has recovered. - Elena Kuznetsova in Moscow

ELECTIONS 1999/2000

OTECHESTVO GROWS IN BASHKORTOSTAN. The Bashkortostan republican branch of Moscow Mayor Yurii Luzhkov's Otechestvo, which is headed by former Bashkortostan Prime Minister Rim Bakiev, has established more than 40 local branches in the republic's cities and raions. More than 1,000 republic citizens have sought membership in Otechestvo, and about 10 movements and parties also have applied to join as collective members. The leadership of the republican branch plans to draw up a single list of candidates from Otechestvo in the Bashkortostan State Assembly and in raion, city and local councils. (*Sovetskaya Bashkiriya*, 13 February 1999) - Fidail Shayakhmetov in Ufa

POLITICAL ECONOMY

RYAZAN ADMINISTRATION LOSES CHICKEN FACTORY. A superficial understanding of the market system has put the Ryazan Oblast administration in a difficult position and may have cost it the ownership of a profitable poultry enterprise. In the early 1990s, the Ryazan Broiler company produced 12,000 tons of chicken a year, fully meeting the demand of the regional market and supplying neighboring regions as well. In 1992, the factory became a joint stock company. However, the reduction in state

support and rising energy prices led first to the reduction of the plant's livestock and then to its complete closure in the fall of 1996. At the beginning of 1997, the plant owed over 20 million rubles, including 1.5 million rubles in back wages. The plant's 600 employees were laid off indefinitely.

Without outside help, the factory could not have recovered. Luckily, Governor Vyacheslav Lyubimov, who was elected on 22 December 1996, stepped in. He never tired of saying that he would not give up even "an inch of former state property" to the new market players and would even fight to restore the state's control over property that had been privatized illegally.

In early 1997 Deputy Governor Sergei Salnikov said that it would be stupid not to invest in Ryazan Broiler since it would start producing returns in two to three months. The oblast administration gave the factory 1 million rubles in working capital. The governor also convinced Agroprombank to extend the payback period on a loan it had made to the plant. The plant also gained access to grain, mixed fodder and chickens from Holland. Overall during 1997-1998, the plant received 17 million rubles in credits and in-kind contributions. In 1998, it produced 4,000 tons of poultry meat.

However, just as the administration was crowing about its success and its ability to feed the population with delicious chickens, Fedor Provotorov's well-known regional firm Efes managed to buy 70 percent of the chicken factory's stock. Many people in the region are still trying to get their money back after buying *veksels* from Provotorov's previous firm, Efes-Lider, a company that no longer exists. Provotorov managed to buy the shares from small share-holders within ten days after running advertisements on television. Ryazan Broiler's creditors were shocked by this development because they had expected to play a major role in the factory's development. The deal was one of Efes's most effective acquisitions. Governor Lyubimov announced that he has launched an investigation into Efes's activities and will try to regain control of the shares. (Based on material from *Ekonomika i zhizn - Rus*, no. 5, and *Vechernyaya Ryazan*, no. 6.) - Sergei Postnov in Ryazan

SMALL BUSINESS

DURING CRISIS, KOMI TURNS TO SMALL BUSINESS. Russia's devastating economic crisis has forced the country's more practical regional leaders to pay serious attention to the development of small business. Increasing the number and scope of small businesses increases tax revenue for local budgets, holds down unemployment and solves many other problems.

Komi is one of the regions where small business is relatively well developed. In 1996, the republic adopted legislation to support small business. According to republic law, small businesses are firms with no more than 100 employees in the fields of construction, industry and transportation; no more than 60 in agricultural endeavors, and no more than 30 in retail trade and the service sector.

The most intense growth in small business occurred during the early 1990s, when the number of small businesses grew by 150 to 200 percent every year. The number of small businesses grew from 3,026 at the beginning of 1995 to 3,820 at the beginning of 1998. In 1997, small businesses employed 42,400 people, 10 percent more than in 1995, and made up 7.3 percent of the economically active population.

Small business controls 32 percent of the construction industry, 15 percent of retail trade and 12 percent of household services. Nevertheless, small businesses comprise only 1.9 percent of the republic's industrial output. Although the role of small business is growing in construction, trade and the service sector, it has been shrinking even further in industry. There were 880 small industrial firms in 1993 but only 600 in 1997. (*Region*, no. 9, 1998)

Small businesses have had a difficult relationship with the authorities, who often take arbitrary actions against them. For example, last year officials in Komi's capital, Syktyvkar, removed dozens of kiosks from the city's central streets, claiming that downtown stores were sufficient to serve consumer needs. Unfortunately, the decision eliminated many tax-paying firms and abolished numerous jobs. Earlier, the city had forbid sales from summer tents, a practice common throughout the city.

The difficult economic situation following the 17 August crash, however, led Komi leader Yurii Spiridonov on 16 February to issue a decree on improving conditions for small businesses. The decree requires all ministries and departments that regulate small businesses to coordinate their activities with the republic's Economics Ministry. The decree also created an Inter-departmental Commission to remove administrative barriers blocking the development of small business. Komi and local governments will now rent state property on a competitive basis to individual entrepreneurs and small businesses that produce at least 75 percent of the goods and services they sell. The leasing rates will be relatively low. The republic and local governments will also allow small businesses to use property given to the state in lieu of tax payments. Finally, the decree calls for an audit of all small businesses that had earlier received support from the republican budget. (*Respublika*, 16 February)

Clearly the new commission created by this decree will have extensive powers. But such a committee is unlikely to solve the problems facing small business. What matters is well-thought out and persistent efforts to improve the conditions in which small businesses operate. The authorities have not adopted an appropriate policy here because they continue to think in terms of protecting the nomenklatura rather than establishing a market.

More than a month ago, the republic adopted a law that imposes an imputed (*vmenennyi*) tax on certain types of business activities (similar laws have been adopted in 28 other regions, see *EWI Russian Regional Report*, 11 February, for the case of Rostov Oblast). The new tax has already provoked traders in the Syktyvkar market and taxi drivers to go on strike. So far the tax in Komi only affects retail trade and transportation. But overall the Russian tax system is so malformed that no one is able to, or wants to, pay taxes. The new imputed tax, which assumes a certain income in advance, hurts so many small businesses that many legal businesses have now gone underground or temporarily suspended activity. If the state fails to create more favorable conditions for business, even more entrepreneurs will be driven into the black market. - Yurii Shabaev in Syktyvkar

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Following Luzhkov, Voronezh Cracks Down on Extremists

Scandal Surrounds Sacking of Sverdlovsk Police Chief

Vladivostok Elections Set Dangerous Precedent

Lebed Gains in Coal Battle at Cost of Presidential Ambitions

Dagestan To Hold Third Referendum on a Republican Presidency

Tver City Duma Lacks Clear Political Orientation

Bryansk Governor Presses To Consolidate Hold over Media

Elections 1999/2000

Tatarstan's President Goes it Alone in National Politics

Center-Periphery Relations

Volga and Urals Military Districts To Merge

Saratov Seeks To Circumvent Conservative Federal Land Law

Sakha's Ministry of Internal Affairs Headed By a Civilian

Federation Council

Federation Council Approves Federal Budget

Political Economy

Kursk Governor Sides with Miners against Rossiiskii Kredit

Chukotka Is Most Expensive Region

Social Issues

Tomsk To Cut Housing Subsidies, Increase Rent Rates
Regional Links

Rossel On-Line
Advertisements

EWI Annual Survey of Eastern Europe and the Former Soviet Union 1997
Russian Atlases 1998

BREAKING NEWS

POLITICS

FRACTURES APPEAR IN "TITOV BLOC." There are already divisions appearing in the bloc of regional leaders organized by Samara Governor Konstantin Titov, *Vremya MN* reported 1 March. One problem is that the other governors do not like it when the media refer to the alliance as "Titov's bloc." Although he was among the 30 signatories supporting the bloc, Kemerovo Governor Aman Tuleev said that he was not part of any "Titov bloc," but would happily work in an organization led by Prime Minister Yevgenii Primakov. Khakasiya Prime Minister Aleksei Lebed said that he did not realize that he would be considered an organizer of the bloc if he signed its declaration. He claims that he remains loyal to his older brother, Krasnoyarsk Governor Aleksandr Lebed. The younger Lebed noted that Titov did not wield enough authority among the governors to lead a bloc of them, although he suggested that Titov's sharp suits might appeal to some. Given the tenor of the comments, the paper suggested that many of the governors would start their own blocs.

Titov claimed that the bloc would win 45 single-member district seats and the party list would cross the five-percent barrier in a long interview with *Nezavisimaya gazeta* published on 26 February. Titov also said that he was waiting for Tatarstan President Mintimer Shaimiev to regain his health so that he could begin working together (For an analysis of Shaimiev's activities and plans, see below). Titov said that both he and Moscow Mayor Yurii Luzhkov want to resurrect Russia, the difference being, according to Titov, that Titov wants to work through federalism while Luzhkov will use other methods. Titov pointed out that he remains a member of former Prime Minister Viktor Chernomyrdin's Our Home is Russia (NDR) and would welcome close cooperation with that party since there are no key ideological disagreements between Titov's bloc and the NDR.

OTECHESTVO ADOPTS DRAFT PROGRAM... Moscow Mayor Yurii Luzhkov's Otechestvo political party adopted a draft version of its party program at a meeting of the party's Central Council on 26 February. The party should adopt the final version at its second congress on 24 April. Luzhkov said expanding his regional network and working with the media were the most important tasks facing the party at the moment.

The 70-page program repeats many of Luzhkov's favorite themes. It calls for a popularly elected president with "strong and effective executive authority." It seeks to reduce the number of regions from 89 to an undefined "more manageable" number, but notes that this process must be accomplished without using any administrative coercion. The party proposes improving the executive branch's hierarchy using a "rational combination of elections and appointments, while constitutionally strengthening the

'principle of federal intervention.'" The document also calls for removing the use of political criteria in providing financial aid to the regions because such procedures leave too many regions to face their fate alone. (*Kommersant Daily*, 27 February)

...AGREES WITH YAVLINSKII. Yabloko party leader Grigorii Yavlinskii said that his party would likely coordinate its strategy for the single-member districts in the 1999 State Duma campaign with Luzhkov's Otechestvo. Although the parties will compete separately on the party-list part of the ballot, they will work together in the districts because they have similar electorates and want to avoid knocking out each other's candidates. Often in Russian elections, similar candidates divide a majority of the votes, allowing a candidate with radically different views to win. Luzhkov has often praised Yavlinskii as one of Russia's best economists. (*Kommersant Daily*, 25 February)

INGUSH REFUGEES TO RETURN TO NORTH OSETIYA. By December 1999 all Ingush refugees should return to their former homes in the Prigorodnyi Raion of North Osetiya, according to an agreement signed in Magas by the prime ministers of the two republics. The latest agreement solidifies an agreement signed in January by Ingushetiya President Ruslan Aushev and North Osetiya President Aleksandr Dzasokhov. Aushev said that the agreement guarantees the refugees their choice of housing (either returning to their apartment or obtaining a plot of land in a region inhabited by ethnic Ingush), security, credits to build or repair their dwelling, and the aid of local authorities in supplying gas, water, and heat. Moscow must now provide enough money to make the agreement work.

It is not clear how many refugees are affected. The Ingush say that 20,000 will return, but the Osetiyans believe that this number is greatly exaggerated (*Kommersant Daily*, 27 February).

In 1944 Stalin deported the Ingush to Central Asia, Kazakhstan, and Siberia, claiming they had conspired with the Germans during World War II. At that time, the Soviet government granted North Osetiya control over the Prigorodnyi raion, which had formerly been Ingush territory. In 1957 Khrushchev allowed the deported peoples to return to the North Caucasus, but did not return the Prigorodnyi raion to the Ingush. Armed conflict between the two ethnic groups ensued, climaxing in the 1990s when Ingushetiya separated from Chechnya and demanded the return of its former territory. In a week of extraordinary violence in October 1992, over 600 people were killed and thousands of homes destroyed. As a result, between 34,000-64,000 ethnic Ingush fled the region for Ingushetiya.

RUSSIAN, CHINESE REGIONS SIGN PARTNERSHIP AGREEMENTS. As part of the Russian-Chinese summit on 25 February several Russian and Chinese regions signed cooperation agreements. In the future, Amur Oblast will work with Shanghai, Primorskii Krai - Jilin, Bashkortostan - Liaoning, Altai - Xinjiang, and Novosibirsk - Heilongjiang (*Kommersant Daily*, 24 February, and *Nezavisimaya gazeta*, 26 February). The two sides also signed contracts to set up a television assembly plant in St. Petersburg and an air conditioning assembly plant (*Nezavisimaya gazeta*, 2 March). The St. Petersburg factory Izhorskie zavodi is currently building a nuclear power plant in China, and if the project goes well it could build at least two more. Future projects for the two

countries include selling Siberian energy to China and increased sales of Russian weapons to its southern neighbor.

Russia and China are planning several specific energy projects. SIDANKO has the right to develop Irkutsk's Kovyktin gas field, whose reserves are estimated to be 870 billion cubic meters. Eventually the company hopes to build a pipeline to ship 20 billion cubic meters a year to China. Russia's electricity monopoly is also hoping to build two electric stations in Siberia to transmit the electricity to China. The oil company Yukos hopes to build a pipeline from Angarsk (Irkutsk Oblast) to northern China and send 25-30 million tons of oil a year to China. Eventually, the project organizers also hope to bring in oil from Krasnoyarsk and Sakha, but building pipelines to transport the oil will require major investments. (*Izvestiya*, 27 February)

ECONOMICS

REGIONS OWE SALARIES, PENSIONS. The regions' overall debt to public sector workers and pensioners has dropped from 15.4 billion rubles in December to 11.6 billion rubles in February, according to Deputy Finance Minister Viktor Khristenko. Nevertheless, only five regions have no debts: Moscow, St. Petersburg, Krasnodar, Yamal-Nenets, and Taimyr. In 27 regions the payments are more than three months behind schedule. In 20 regions the debts continue to mount. The presidential administration is now planning to create special accounts where it will place subsidies earmarked for salaries. The feds recommend that the regions rely on new sales taxes to collect the rest of the money they need to make up their shortfalls. (*Kommersant Daily*, 2 March)

U.S. STEEL QUOTAS HURT REGIONS. During the last days of February, the United States effectively imposed harsh limits on the amount of hot-rolled steel Russia can sell on the U.S. market, effectively driving down likely 1999 sales to about 15 percent of what they were in 1998. The American politicians were responding to complaints from domestic steel makers that Russian imports were costing American jobs. The quotas will affect Russia's three major steel plants, Novolipetsk (Lipetsk Oblast), Magnitogorsk (Chelyabinsk Oblast) and Severstal (Vologda Oblast). Severstal General Director Aleksei Mordashev described the limits as a "death sentence" for the plant which has no outside strategic investor (*Moscow Times*, 24 February). Last year Russia's major steel exporters earned between \$1 billion and \$1.5 billion selling about 40 percent of their exports to the U.S. The EU has long blocked Russian steel imports. Only a revival of orders in the domestic or Asian markets could offset the loss of the U.S. market for Russia's steel producers.

INDUSTRIAL CONCERN TO FINANCE ST. PETERSBURG TV. The Petersburg Television and Radio Company was formed last summer to broadcast in St. Petersburg and Leningrad Oblast on the basis of the former Peterburg-Channel 5. (Channel 5 was once a national network, but most of it was converted into the new Kultura network.) The city and oblast authorities took a 51 percent share of the company and three banks took the rest of the stock - Promstroibank (17.5%), BaltONEKSIMbank (17.5%), and Inkombank (14%). The banks were supposed to supply most of the broadcaster's working

capital. Following the August 1998 economic collapse, however, the banks are no longer interested in the broadcaster, and city authorities began seeking other sources of financing. *Kommersant Daily* (25 February) claimed that the broadcaster's new financiers will be the financial-industrial group "Industrial Machines." That group was formed last summer by uniting the stocks of more than 100 Russian industrial concerns. It is seeking closer contacts with the St. Petersburg administration, where some of its factories are located. (*Kommersant Daily*, 25 February)

AMERICAN BUSINESS CENTER OPENS IN SAMARA. Last week US Ambassador in Russia James Collins and Samara Governor Konstantin Titov opened an American Business Center in Samara. The U.S.'s Regional Investment Initiative (RII) also opened an office in the region. The RII is part of the Gore-Primakov Commission's activities and is so far focused on Samara, Novgorod, and the Far East. Among the American firms working in the region are General Motors, Corning, Pepsico and Coca-Cola. Last year American firms invested \$50 million in Samara. (*Nezavisimaya gazeta*, 2 March)

PATTERNS OF REGIONAL DEVELOPMENT

FOLLOWING LUZHKOVA, VORONEZH CRACKS DOWN ON EXTREMISTS. In the past, the Voronezh Oblast administration has not avoided links with Russia's most extreme groups. In 1997 activists from Aleksandr Barkashov's Russian National Unity (RNE) joined the regular police force in patrolling the streets of Voronezh. The RNE was also allowed to hold a 1997 conference in the Oblast Duma building (*Nezavisimaya gazeta*, 18 October 1997). Observers say that Voronezh is a stronghold for this party. Posters with the slogans "Russian Order For Russians," "Fight Jews - Save Russia" are almost everywhere - at bus stops, pasted to the walls of downtown buildings, and inside public transportation.

Things might change following Moscow Mayor Yurii Luzhkov's decision to launch a crusade against the RNE. The Interior Ministry and the Justice Ministry followed suit by making public statements and issuing special instructions. These instructions probably played an important role in spurring the chief of the Interior Ministry's local branch, General Dementiev, to request that the city administration cancel the permit it had granted RNE to hold a demonstration in Petrovskii Square in the center of the city on 28 February (*Novaya gazeta v Voronezhe*, March 2). That meeting was meant to be a demonstration of support for the RNE's embattled Moscow branch (see *EWI Russian Regional Report*, 4 February). The city administration followed the general's advice and the permit was retracted. On the day of the expected meeting, a large police force gathered in Petrovskii Square to prevent any RNE members from meeting there.

There was another sign of change. On February 25 the Voronezh City administration proposed that the oblast authorities outlaw the production, distribution, and display of Nazi and other extremist symbols (*Voronezhskiy Kuriyer*, 27 February). The bill goes beyond banning Nazi symbols because RNE claims their stylized swastika is an ancient Slavic symbol that means "God's presence on Earth." However, this kind of

rhetoric will not help RNE if the new law is adopted by the Oblast Duma and then enforced properly.

Time will tell if the Voronezh authorities are serious in their campaign against extremists. On 28 February, RNE activists in full uniform decorated with swastikas were distributing leaflets and the nationalist paper "Russian Order" near a shopping center, just a ten-minute walk away from Petrovskii Square. - Andrei Muchnik in Voronezh

SCANDAL SURROUNDS SACKING OF SVERDLOVSK POLICE CHIEF. In late February Valerii Kraev, the head of the Sverdlovsk Oblast Main Department of Internal Affairs (GUVD), resigned his post. Shortly before he left, one of his subordinates had accused him of working with the Uralmash crime group, one of the most feared criminal organizations in the mid-Urals. A special commission from the Ministry of Internal Affairs (MVD) had investigated the situation for several weeks and then Kraev was called to Moscow for an audience with Minister of Internal Affairs Sergei Stepashin. He resigned after the meeting.

Because the authorities have not provided a full explanation for the resignation, numerous rumors and theories surround the case. Even the short official explanations of Kraev's departure are contradictory. Initially, the spokesman for the Ministry of Internal Affairs said that Kraev resigned as a consequence of the commission's work in Yekaterinburg. The next day, he claimed that Kraev had simply retired.

Sverdlovsk Governor Eduard Rossel held a press conference to discuss "several aspects of decriminalizing Sverdlovsk Oblast" in Moscow. Like many Russian politicians, he thinks that it is better to discuss difficult topics away from his home turf because then the voters will not find out what he said. However, locals know that Rossel claimed that there are no criminal groups in the region, thereby asserting that Kraev's resignation was not connected to his alleged criminal links. He called for strengthening the fight against crime and paring down the police force's bureaucracy.

Only *Rossiiskaya gazeta*, the official newspaper of the government, published detailed explanations of the resignation. But the two journalists who wrote about the case came to diametrically opposed conclusions.

The first journalist, Aleksei Vladykin, wrote that Kraev resigned in the wake of the MVD commission's findings. He described the battle between two groups at the Tavdin hydrolysis factory in which Kraev allegedly supported the Uralmash group. The police chief allegedly gained an apartment in the center of Yekaterinburg, a two-story dacha, and a remodeled office. Vladykin claims that Kraev illegally engaged in commercial activity, in this case selling fish. The author believes that several of his subordinates also had connections to the criminal world, but were affiliated with an opposing group. When their interests diverged, Kraev lost his position.

The second journalist, Konstantin Dmitriev, argues that Kraev was an honest crime fighter, but that his subordinates had criminal connections and benefited from his removal. In particular, he mentions Vasili Ruzhenko, the head of the department for fighting organized crime, who supported the Uralmash group's enemies in the Tavdin battle.

Another explanation suggests that Kraev's departure is connected to a two-year Federal Security Service (FSB) investigation into various non-budgetary funds and police associations which criminal groups use to buy off the police. The FSB allegedly has

removed many regional police officials so far, but none as high-ranking as Kraev, so that there were no scandals before Kraev's removal. Kraev had been president of the Association of Ural Regional Law and Order Officials.

A political theory suggests that Yekaterinburg Mayor Arkadii Chernetskii was somehow connected to the dismissal because Kraev was considered close to Governor Rossel, Chernetskii's rival. Chernetskii and Rossel have long battled over how to reform the police. The scandal will likely hurt Rossel before the August gubernatorial elections. Moreover, the political leanings of Kraev's successor will likely have an impact on the outcome of the elections. It will be important how the police handle "dangerous" moments in the campaign, of which there will likely be many.

Against the background of the scandal, Minister of Internal Affairs Stepashin pointed out that Sverdlovsk Oblast is in 71st place among Russia's 89 regions in terms of solving crime. Undoubtedly, the scandal will add to the oblast's public image of being crime infested. - Natalia Mints in Yekaterinburg

VLADIVOSTOK ELECTIONS SET DANGEROUS PRECEDENT. Central Electoral Commission (TsIK) Chairman Aleksandr Ivanchenko has announced that new elections for the Vladivostok City Duma should be held 16 May. Ivanchenko declared that in the 17 January elections 14 deputies had been legitimately elected, results in six districts were invalid because of low voter-turnout, and the outcome in two districts was overturned because of election law violations. The city Duma is currently one member short of a working quorum. Ivanchenko asserted that city residents were now more interested in voting, following numerous recent attempts to hold the elections that were invalid because of low turnout. However, he claimed that a similar change in thinking had not taken place among the city and krai leaders, who would prefer to hold the elections in December. Ivanchenko optimistically declared that the 16 May elections must be well organized and finally put an end to this long and scandal-plagued chapter in the city duma's history.

Locals view Ivanchenko's statement with extreme skepticism. Governor Yevgenii Nazdratenko and acting Mayor Yurii Kopylov, who was appointed by Nazdratenko, have already announced their opposition to the 16 May elections (see *EWI Russian Regional Report*, 18 February). It is still not clear how many elections there will need to be. Even though Ivanchenko claimed it was necessary to have eight, there are still 24 cases contesting the 17 January results pending before the courts, so the number may rise. The local courts are considering all sorts of bizarre incidents, such as the complaint of one woman who claimed that some people she did not recognize approached her on the way to the polling place and offered her money to vote for a specific candidate. There is no guarantee that such issues will not arise in the May elections as well.

The Vladivostok authorities' ability to neutralize the results of the elections is setting a dangerous precedent for Russian democracy according to Viktor Zelenkin, the deputy chairman of the presidential administration's Department on Local Government. "We never imagined that it was possible to declare invalid the election of a legislature by filing massive numbers of court cases," he said. After a trip to the region, he described the events in Vladivostok as unprecedented and warned that such techniques could be used to remove any elected official in Russia. - Yevgenii Popravko in Vladivostok

LEBED GAINS IN COAL BATTLE AT COST OF PRESIDENTIAL AMBITIONS.

During the last two weeks, Krasnoyarsk Governor Aleksandr Lebed has been able to improve his beleaguered position in the krai, but now his debts to Prime Minister Yevgenii Primakov are so large that he will likely have to forego a presidential campaign. For the last several months, the krai has been rocked by the battle between Lebed and Krasnoyarsk Aluminum Company Board Chairman Anatolii Bykov. Bykov helped Lebed win election as governor as part of his plan to gain control over the region's energy base (his aluminum factory uses more the half of the region's energy supply), but the two fell out when Lebed decided it was not in his interest to help Bykov win such control. Bykov sought to control the Krasnoyarsk Coal Company by buying up its debt and then bankrupting it. This procedure would allow him to buy valuable resources at a very low price. When Lebed found out what was going on, he forcefully intervened, cussing out one of Bykov's allies (*EWI Russian Regional Report*, 21 January). At that point, his standing as governor reached a nadir.

Now Lebed's position has slightly improved. At one point in mid-February, Unified Energy System (EES) Chairman Anatolii Chubais seemed to be gaining the upper hand in the struggle because he could pay off the coal company's debt. Lebed initially agreed to work with him, but then broke the alliance when it became clear that Chubais wanted a majority stake in the coal company as collateral for his loan (since the debt would probably not be repaid, EES would gain control of the company for a relatively small amount.) Now, the 72 million rubles that Chubais sent to save the coal company has become "stuck" in the hands of a Krasnoyarsk notary public. Additionally, the arbitration court has overturned the appointment of the anti-Lebed Yevgenii Reznik as the General Director of the Krasnoyarsk Coal Company. He is the fifth unsuccessful appointee in recent months (see *EWI Russian Regional Report*, 11 February).

Lebed is also gaining ground in winning the support of the left-leaning local elite. He is allegedly working with two of the krai's State Duma members, Valerii Sergienko (People's Power faction) and Petr Romanov (KPRF). He has also taken on as an advisor a former opponent, Vsevolod Sevastyanov, who is the number two man in the krai's Communist Party (KPRF) organization. He will likely seek a State Duma set in December as well.

Even Bykov recently announced that he was willing to negotiate with the governor's administration. Through First Deputy Governor Vladimir Ovchinnikov, Lebed responded immediately and favorably, noting that it was preferable for the coal company to go to a local owner rather than outsiders.

Despite these minor gains Lebed has nevertheless suffered some setbacks at the local level. The krai legislature blocked an attempt by the krai administration to give a 100 million loan to the coal company. Also local television remains extremely critical of Lebed. The two stations (Afontovo and TVK) are controlled by employees loyal to former Governor Valerii Zubov and Bykov, respectively, so there is little Lebed can do about their coverage.

Since the conflict over the coal company has taken on national significance, it will be hard to resolve purely at the local level. Some analysts, such as Petr Morozov writing in *Argumenti i fakti* (no. 8) believe that the main winner of the conflict will be Prime Minister Primakov. The article claims that the stock in the coal company effectively belongs to the government, not Chubais' EES. Moreover, the ministry of internal affairs

is continuing its investigation into the aluminum factory and numerous unresolved murders in the region (see *EWI Russian Regional Report*, 18 February). The investigation could press charges against Bykov. Lebed is already indebted to the government for solving his financial problems. He could soon be indebted for solving the region's criminal problems as well. If Lebed can not solve his region's problems without outside help, his ability to lead will be called into question. In this sense, the price of the coal war could be Lebed's presidential ambitions. - Pavel Avramov in Krasnoyarsk

DAGESTAN TO HOLD THIRD REFERENDUM ON A REPUBLICAN

PRESIDENCY. On 7 March, while electing the republican parliament, the people of Dagestan will also vote on a referendum introducing the post of a popularly elected president. Similar referendums have already been defeated in the republic twice. The chairman of the State Council is currently the highest office in the republic and is now elected indirectly by the Constitutional Assembly (see *EWI Russian Regional Report*, 10 September 1998).

Opponents of the present system believe that the head of state must be popularly elected to the position in order to gain the full confidence of the people. Supporters of this position increased sharply after March 1998 when the parliament amended the Constitution so that the chairman of the State Council could serve two consecutive terms and all nationality requirements were removed, upsetting the delicate balance of power among the region's ethnic groups. As a result, State Council Chairman Magomedali Magomedov is now serving a second term. Many suspect that he is manipulating the legislative branch to serve his personal interests.

At the end of February the department of social-political studies and the Dagestan Ministry for Nationality Affairs conducted a public opinion poll about introducing the presidency in Dagestan. In the republican capital Makhachkala, 55 percent of the respondents were against the idea. Members of the largest ethnic group, the Avars, were the most active supporters of presidential institutions--42.5 percent; 40 percent of other Dagestan ethnic groups were in favor of it, and only 7.7 percent of the region's Russians were ready to support the initiative. In the mountainous areas, about 90 percent of those polled support the current power structure, while in the northern plains, the most politicized part of Dagestan, there is very strong support for a presidency. This difference can be explained by the fact that in agricultural areas local government is of greater importance and thus there is little interest in a potential presidency. In the plains and in cities people are less dependent on the government and are more independent and politically informed.

From the first to the second referendum the number of opponents to the presidency decreased from 89 to 69 percent. Judging by the results of the survey, in the third referendum there should be about 40 percent in favor of a presidency and 60 percent against.

Essentially, the people prefer a collective executive as exists now and no one wants to lose the representation of their nationality in state organs of power. The dissatisfaction expressed by many is in the procedure for choosing the republican leadership since it is not determined via popular election. The question on the ballot does not capture the problem because it speaks only of the possibility of introducing

presidential rule in the republic. This formulation does not appeal to the majority of the people.

Dagestan's elite are taking a variety of approaches to the vote. Given that the impetus for the referendum came from the opposition, Dagestan's current leader Magomedov wants to maintain the status quo. Makhachkala Mayor Said Amirov is against establishing a presidency, yet he announced that if the people support this idea and nominate him, he would be prepared to run. Russian Minister of Nationality Affairs Ramazan Abdulatipov, the most probable candidate among the Avars, offered a surprising position in an interview with Interfax. He said that a referendum should not be conducted in a destitute, poverty-stricken republic since the result will not be a true expression of the people's will. He supports the idea of concentrating power in the hands of a republican president, but feels that the individual should be chosen by a committee of electors rather than popularly elected. - Nabi Abdullaev in Moscow

TVER CITY DUMA LACKS CLEAR POLITICAL ORIENTATION. Repeat elections for the Tver City Duma were held on 21 February and all 16 seats up for election were filled. In the previous elections held on 1 November, results in only four of the 20 districts being contested were valid and the duma lacked a working quorum (see *EWI Russian Regional Report*, 12 November 1998). Voter participation varied from 29 to 44 percent, but cleared the 25 percent barrier in every district. The duma now has 33 members. According to the city charter, the duma should have 40 members, with twenty being elected every two years.

The election results show that the voters currently do not trust bureaucrats and businessmen. Not a single official was elected to the city legislature, and only four enterprise directors won seats. This result is not surprising given the economic crisis, which many view as the fault of poorly advised administrators and narrowly self-interested businessmen.

Although economic difficulty usually boosts the opposition's electoral popularity, the crisis did not serve to benefit the Communists in Tver. Only three Communist candidates were elected. Others winning election included the former leader of the local branch of Vladimir Zhirinovskiy's Liberal Democratic Party and three members of local social organizations. Three of five incumbent deputies, all professionals (two doctors and a school administrator), held on to their seats.

The elections showed that voters were very cautious of extremism, choosing less outspoken candidates who do not hold powerful positions in the community. Soon the deputies will set out to solve the city's numerous problems. Then the true coloring of the new duma will become clearer. - Boris Goubman in Tver

BRYANSK GOVERNOR PRESSES TO CONSOLIDATE HOLD OVER MEDIA. If it was up to Bryansk Governor Yurii Lodkin, he would replace the head of the state TV and radio company "Bryansk" with his own man. The oblast administration currently controls all but two of the 15 or so newspapers in the region. For their criticisms of the governor, the administration either removed or bankrupted leaders of several local newspapers.

The most recent scandal started when the governor's press service accused Valerii Korn, the head of "Bryansk" TV and radio company, of inefficient management.

According to Korn, Lodkin is still angry about a 1993 incident, when the governor sided with the rebellious Supreme Soviet against President Boris Yeltsin, and Korn refused to allow him to go on the air with his opinions. Although Yeltsin subsequently removed the disloyal governor, Lodkin was reelected to the oblast's leadership in 1996.

Today the All-Russian State Television and Radio Company (VGTRK), of which "Bryansk" is a part, is being transformed into a holding company (for earlier reports on this issue, see *EWI Russian Regional Report*, 18 February and 11 February). Heads of regional branches of the holding will be appointed after consultations with respective governors. Lodkin claims that he has reached an understanding with VGTRK Director Mikhail Shvydkoi to appoint Galina Tikhomirova, a Lodkin ally, to head the Bryansk branch of the holding. However, because "Bryansk" has not joined the national holding yet, Korn cannot be removed.

Thus, the local TV company is facing a dilemma: to join the national holding under the leadership of a Lodkin supporter, or to remain independent with Korn at the helm, with the loss of Moscow's funding as a result. Today "Bryansk" exists mostly on Moscow subsidies. Sources say that the staff is divided, and it is unclear which side will prevail.

Journalists of the "Bryansk" TV company have never criticized regional authorities, ignoring numerous scandals in the administration. This deference can be explained by the fact that the company also receives partial funding from the oblast. Should it choose to reject Tikhomirova, it is risking losing the oblast money too. Presumably everything will be clear when the process of transforming VGTRK into a holding company is complete at the end of this year. - Nikolai Gorelov in Bryansk

ELECTIONS 1999/2000

TATARSTAN'S PRESIDENT GOES IT ALONE IN NATIONAL POLITICS

by Midkhat Faroukshine, Kazan State University

KAZAN--Today most leaders of Russian regions try to identify themselves with various political movements, be it former Prime Minister Viktor Chernomyrdin's Our Home is Russia (NDR), Moscow Mayor Yurii Luzhkov's Otechestvo, Samara Governor Konstantin Titov's Voice of Russia, Krasnoyarsk Governor Aleksandr Lebed's Honor and Motherland, or former acting Prime Minister Yegor Gaidar's Pravoe delo. In contrast, Tatarstan's President Mintimer Shaimiev has chosen to go it alone. However, recent rumors have it that Prime Minister Yevgenii Primakov will rely on regional leaders for support, and with this in mind State Duma Deputy Oleg Morozov, who heads the Russian Regions faction in the parliament, announced the creation of the Regions of Russia political movement. Shaimiev helped Morozov get elected to the State Duma by supplying rural votes, which makes the latter completely dependent on the republican president, so it is not surprising that Morozov allegedly invited Shaimiev to join the movement.

Yet, this rumor is hard to believe. First of all, there are more impressive leaders in regional politics than Morozov for Primakov to bank on. Men like Titov and his new regional movement Voice of Russia (Golos Rossii), which already unites 30 members of

the Federation Council, command real power and resources. Second, Primakov, of course, would love to have any movement that would support his policies and government enter the Duma. However, any party organized now cannot compete in the 1999 State Duma elections because the registration deadline has already passed. More importantly, Primakov is too clever of a player to announce his preferences so early and bet on only one horse. Third, Shaimiev must understand that he will never rise to the level of national politician, if only because of his ethnic origin. Other Russian regional leaders, already resentful of Tatarstan's special status and privileges in the federation, are not likely to back Shaimiev's leadership. Even a formidable figure like Moscow Mayor Yurii Luzhkov cannot master that kind of support. Finally, Shaimiev lacks the ambition to become a national political leader.

As to Shaimiev's support inside Tatarstan, specifically the race for the republican presidency in 2001, he does not require the help of any political movement. He has long ago formed his "party of power," composed of raion and municipal administration heads, appointed and removed at his whim. Together with his own staff, they will easily secure his reelection. In reality, it is Tatarstan's political movements that need Shaimiev's endorsement, not the other way around. Indeed, political parties greatly depend on the president's benevolence. Until now, Shaimiev has shown little interest in either the NDR or Otechestvo. Tellingly, local branches of both are led by insignificant politicians. He has not voiced his opinion on Titov's party either. But he must make a difficult choice soon.

Despite Shaimiev's pronouncements of support for Primakov when he was appointed prime minister, the real situation is more complex. Tatarstan has not been able to extend its favorable budgetary agreement with the federal center after it expired this year. Although Tatarstan's official media like to blame the republic's problems on the ill will of Finance Minister Mikhail Zadornov, the reality of the situation is that granting Tatarstan preferential treatment goes against the policies of Primakov's government. The tension is compounded by the fact that other regional leaders are closely scrutinizing negotiations between the center and Tatarstan, and Primakov's team is aware of that. Moreover, Shaimiev cannot support Primakov's pronouncements about a possible reduction in the number of regions from 89 to 8, which would mean the consolidation of Tatarstan into a larger province. (This idea also enjoys the support of Luzhkov as well.) Similarly, Shaimiev cannot but resent Primakov's idea of appointing regional leaders instead of popularly electing them.

On the national level, Shaimiev stands all alone. He does not have potential allies with whom to form a political bloc, and his reputation in the neighboring regions is not high enough to consolidate them around his persona. Bashkortostan's President Murtaza Rakhimov was the closest person Shaimiev had to an ally, but the two presidents have had a falling out since Bashkortostan adopted a language law, which did not give Tatar language state status despite pleas and pressures from Kazan trying to protect the Tatar minority (see *EWI Russian Regional Report*, 28 January). Right now, Shaimiev can only wait and keep his options open.

CENTER-PERIPHERY RELATIONS

VOLGA AND URALS MILITARY DISTRICTS TO MERGE. For the first time in its history, the Ministry of Defense Collegium met outside of Moscow, in Samara. At the 25 February meeting Minister of Defense Marshal Igor Sergeev reviewed the results of February's comprehensive inspection of the Volga Military District. This event is all the more unusual in that the entire top leadership of the Russian Army gathered in the capital of the Volga Military District. According to Sergeev, the main goal of the inspection was to analyze the troops' combat readiness. To this end, several days prior to Sergeev's visit the ministry staff conducted a thorough review of the district's performance. In the end, the minister was completely satisfied with the results of the inspection.

According to the local media, such close scrutiny of the Volga Military District stems from the recent decision to transform military districts into operational strategic commands. The country's new military doctrine reduces the number of military districts from eight to six, and under the new scheme the Volga and Urals districts will merge. It is not clear whether the district command will be headquartered in Samara or in Yekaterinburg. The importance of the ministry's inspection was heightened by the fact that governors of Samara, Perm and Orenburg oblasts participated in the collegium meeting. - Andrei Perla in Samara

SARATOV SEEKS TO CIRCUMVENT CONSERVATIVE FEDERAL LAND LAW. At their 24 February meeting, Saratov Oblast legislators attempted again to legalize private ownership of land, this time through a proposed amendment to federal legislation. Recall that Saratov Oblast was the first to pass a regional law allowing for the free purchase and sale of land, before the center adopted a federal land code. Many other regions have followed in Saratov's footsteps, however the federal Land Code passed by the State Duma (but not signed by Yeltsin) is quite conservative and does not allow for the sale and purchase of land. This development has put a big question mark over the legitimacy of Saratov's own law. Consequently, Governor Dmitrii Ayatskov was forced to defend the process of selling plots of land that the oblast had launched earlier.

This time around, Saratov's legislature proposed an amendment, not to the federal Land Code, but to the federal law on mortgages. Since the frontal attack did not work, Saratov is trying to bypass the Land Code and introduce *de facto* private ownership of land through the mortgage legislation. In its current version, the federal mortgage law prohibits mortgaging of land owned by state or municipal agencies or designated for agricultural use. Saratov legislators believe that the existing mechanism limits the rights of owners and does not allow them to use their land most efficiently. This decreases the investment attractiveness of the agricultural sector and prevents the country from overcoming its economic crisis.

The proposed amendment would strike out paragraph 1 of Article 63, which prohibits mortgaging operations with state, municipal or agricultural lands. Although the amendment will not allow for private ownership of land per se, it will enable land owners to treat their land as any other kind of property. Should the amendment be adopted, the market reformers would score a major victory over conservatives. According to Nikolai Chernobuk, who heads the State Duma's economic policy committee, the Saratov initiative will be supported by legislators in Samara and Tatarstan, who will also petition the State Duma with similar proposals. - Yuliya Eliseeva in Saratov

SAKHA'S MINISTRY OF INTERNAL AFFAIRS HEADED BY A CIVILIAN. For the first time for the last seven years, a civilian is heading a regional office of the Ministry of Foreign Affairs. Last week the Sakha Ministry of Internal Affairs named the civilian Semen Nazarov as its leader. Nazarov was educated as an architect and has spent the past three years working as first deputy chair of the republican government. Russian Minister of Internal Affairs Sergei Stepashin noted that this is the first time since 1992 that a civilian has occupied this post in any Russian region. Sakha President Mikhail Nikolaev called on the ministry to step up its efforts in combating organized and white collar crimes. - Oleg Yemelyanov in Yakutsk

FEDERATION COUNCIL

FEDERATION COUNCIL APPROVES FEDERAL BUDGET. The Federation Council approved the 1999 federal budget on 16 February. Although the governors were very critical of the budget, they decided to approve it, demonstrating their support for Prime Minister Yevgenii Primakov. Federation Council Speaker Yegor Stroev described the budget as one of survival, with few funds designated for social support. He said "we don't need anything else" and can therefore vote to support the government. Primakov said that the budget reflected the country's current level of income and its adoption would allow his government to get down to work. Finance Minister Mikhail Zadornov stressed that the budget would be divided 50:50 between the federal government and regions.

The governors were happy that this budget sought to support Russia's industrial sector. In previous years, little money had been set aside for capital investments. Zadornov stressed that this support consisted of reducing taxes and providing 150 billion rubles for the real sector of the economy.

Subsidies for regions are calculated in a new way. Previously they were determined in accord with incomes from previous years. Now they depend on the average income of the population, a method Zadornov described as being more "just."

Many regions will receive smaller sums than they did in previous years. St. Petersburg will receive 4.5 billion rubles less than in 1998, even though the city budget assumes that city will get this money. In addition to losing the federal subsidies, regional budgets will suffer because the federal government is reducing the tax burden on business.

Zadornov advised the governors to cut their expenses to make up for these shortfalls in income. He also suggested cutting back on benefits afforded local industry, particularly alcoholic beverage producers. Additionally the federal government pushed back a cut in the value-added tax from 1 March to 1 July, giving the regions three extra months of the additional income.

The reduced funds will make it difficult for the regions to fulfill their legal obligations to provide social support to particularly needy groups in the population, especially poor children and veterans. Zadornov noted that since the laws requiring these benefits had been ignored or only partially fulfilled for the last three or four years, the government was planning to suspend or abolish them.

In the discussion, many governors complained about how the cuts affected their regions. Tula Governor Vasiliy Starodubtsev said that federal subsidies to his region would be cut to a third of the previous year's level. He said neighboring regions in similar

situations did not face such large cuts and that the government was unfairly picking on him because of his Communist sympathies. Zadornov denied that political or personal factors played a role in deciding the subsidies, arguing that they had been set by an objective formula. In the end, most of the regional leaders voted for the budget because they had no other choice. - Elena Kuznetsova in Moscow

POLITICAL ECONOMY

KURSK GOVERNOR SIDES WITH MINERS AGAINST ROSSIISKII KREDIT.

Vadim Samoilov, the general director of the Mikhailov Ore Enrichment Combine (MGOK), announced his resignation on 25 February, under pressure from the plant's majority shareholder, Moscow-based Rossiiskii Kredit bank. Only two weeks before, Samoilov had come to Kursk to report that the company had grown 24.7 percent in 1998. By January 1999 the combine's growth reached 110 percent of projections, exceeding even the best performance of the Soviet era. Samoilov's resignation seems especially puzzling after such an "economic miracle."

Kursk Oblast officials cite three reasons for the resignation. First, Rossiiskii Kredit has decided to liquidate some of its MGOK stocks for cash in order to shore up its sad financial condition following the 17 August economic collapse. Second, the United States has introduced anti-dumping quotas against Russian cast iron and steel, which will cut Russian exports of these products to less than a quarter of their former size this year. And, third, the so-called "Solntsevo gang" of organized criminals has shown interest in MGOK stocks.

Oblast Governor Aleksandr Rutskoï, enraged by Rossiiskii Kredit's action, showed up at the 25 February meeting of the MGOK board. He was accompanied by Major General Aleksei Volkov, the oblast chief of police; Major General Viktor Surzhikov, the head of the oblast branch of the Federal Security Service (FSB); and Colonel Leonid Bashkeev, presidential representative in the region. The governor, a retired major general himself, with the support of his high-ranking associates, tried to talk sense into the bankers. He noted that Rossiiskii Kredit acquired MGOK not for cash but with privatization vouchers, and that the oblast itself had invested considerable resources into the company, in the form of favorable railroad and energy tariffs. Rutskoï warned the bankers that they will not be allowed to run the show in his region and called on them to ask the people for their opinion.

The people, in turn, numbering somewhere around 15,000, mobilized by the miners' union, staged a rally with slogans calling on Rutskoï to save them, on Samoilov to come back and on Rossiiskii Kredit to leave MGOK alone. Rutskoï and the other officials addressed the rally at length. The governor assured the people that they should keep working and remain calm, and promised to stand up for their interests. However, the bankers proved intransigent and refused to meet with the miners' representatives. It is not clear what will happen next, at least until the 27 March annual shareholders meeting. - Sergei Sarychev in Kursk

CHUKOTKA IS MOST EXPENSIVE REGION. Anadyr is the most expensive city in the Russian Federation. The cost of maintaining a basic standard of living in the city increased in January to 2,305 rubles, and the cost of 25 basic food items is up to 1,295

rubles, which would be regarded as expensive in any Russian region. A kilogram of butter costs 120 rubles, black bread 15, garlic 65, and sausage 100. The prices in the rural areas of Chukotka are even higher. A bottle of pure alcohol costs 90 rubles in Anadyr and 300 rubles in the village of Neshkan. The variance between the small average salary in the Russian north and the cost of survival gives Chukotka the lowest standard of living among Russian regions. - Yurii Prygov in Anadyr

SOCIAL ISSUES

TOMSK TO CUT HOUSING SUBSIDIES, INCREASE RENT RATES. Tomsk is the only city in the country where apartment rents have been kept stable in the last several years. Today the city's cost for maintaining one square meter of housing is 2.38 rubles. Tomsk residents pay 19 kopecks in rent, whereas their counterparts in the neighboring region of Kemerovo pay 1.63 rubles and in Novosibirsk, 85 kopecks. Even if every single Tomsk resident pays his rent in full, the revenue would only pay for 15 percent of the salaries of the municipal housing sector employees. As it is, they have not been paid for 8-9 months.

Given this situation, the city administration had decided to have a public discussion about raising rent rates, and in a surprising development, most people have agreed that rents needs to be increased. Such an attitude is especially shocking given the widespread disapproval of the mayor's recent unilateral decree, which incrementally raised the rent.

The state of the municipal housing sector is deplorable. In the last 3 years the amount of housing owned by Tomsk doubled, standing now at 6 million square meters, mostly from the transfer of dilapidated housing formerly run by factories and the like to the city. Additionally, prices for energy and heat are constantly rising. Due to the budget deficit, the housing authority has enough money for emergency repairs, but nothing left for maintenance work. Tenants cumulatively owe 54 million rubles for their apartments, while the housing authority employees are owed 19 million rubles. Although the balance seems positive, it is not enough to bring the sector back in the black. If tenants are refusing to pay their current low rents, there is no reason to believe they will pay up at higher rates. - Andrei Bondarenko in Tomsk

REGIONAL LINKS

ROSSEL ON-LINE. (<http://www.rossel.ru/>) Sverdlovsk Governor Eduard Rossel announced the opening of his own official website on 16 February. The site displays Rossel's views on important political and economic issues, his daily work schedule, several photographs of the governors, and documents, including the entire text of the power sharing agreement between Sverdlovsk and the Russian Federation. The site also has a reference page with more than 300 links to important federal institutions, political parties, and other Russian regions. One of the site's most interesting features is the chance to send the governor a question, which he will answer via e-mail within 48 hours. (*Biznes-novosti urala*, 1 March 1999)

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TABLE OF CONTENTS

Breaking News

A Weekly Summary of Key Events in the Regions

Patterns of Regional Development

Former Police Chief Accuses Saratov Authorities of Corruption

New Rules Seek To Clean Up Sverdlovsk Gubernatorial Campaign

Dagestan Rejects Presidency

Zhirinovsky Party Confident of Leningrad Oblast Victory

Elections 1999/2000

Smolensk Otechestvo Splits over Election Strategy

Center-Periphery Relations

Krasnoyarsk Probe Continues

Ryazan Rebuffs Moscow's Plan To Nationalize Alcohol Plants

Budgetary Issues

Tomsk Duma Considers a Deficit Budget for 1999

Political Economy

Komi Republic Reveals Economic Strategy for Next Two Years

Bread Prices Rising in Voronezh

Social Issues

Bryansk Mafia Abuses Duty-Free Chernobyl Benefits

Cross-Border Cooperation

Voronezh, Ukrainian Region Sign Cross-Border Cooperation Treaty

*****Interview with Ingushetiya President Ruslan Aushev*****

"In Practice, There Is No Federalism"

*****Special Research Report*****

Mayors Against Governors?

Advertisements

EWI Annual Survey of Eastern Europe and the Former Soviet Union 1997

Russian Atlases 1998

BREAKING NEWS

POLITICS

STROEV DENOUNCES POSSIBLE USE OF VIOLENCE IN CHECHNYA.

Federation Council Yegor StroeV told *Izvestiya* (11 March) that the possible use of violence in Chechnya would be "senseless." Interior Minister Sergei Stepashin, a hard-liner during Russia's war with Chechnya, has threatened to use all means necessary to return the Interior Ministry's representative in the break-away republic, Major General Gennadii Shpigun, who was taken hostage on 5 March. StroeV said the majority of the Chechen population opposed such crimes and supported a peaceful resolution of the conflict. He called for a sober use of political means against the "destructive forces."

Asked about the overall situation in Russia, he said that since delays in paying wage, pension, and benefits were shrinking in 55 regions, there were "positive trends, but the [overall situation] was complicated because of the inflation following 17 August." Since wages and pensions are not being indexed, the standard of living is plummeting.

He pointed to other contradictory trends. Many regions are under extreme pressure to repay their debts, but they have benefited because demand for domestically produced products has gone up since 17 August.

BEREZOVSKII ON RUSSIAN FEDERALISM. Speaking in New York City on 8 March Boris Berezovskii warned that allowing the federal authorities to appoint governors would be a step backwards for Russia. He said that it was important to have a diversified system of power and to continue electing the governors. Prime Minister Yevgenii Primakov is currently the most vocal advocate for appointing the governors.

Berezovskii said that many of Russia's problems come from the dual role of the governors. On the one hand they are elected and accountable to their constituents. On the other, only 11 are financially independent, so the other 78 must constantly go to Moscow to beg for money. Most governors now have no hopes of gaining money from the center, although they generally do understand that they have a responsibility to their electorate.

He also warned that there is a grave danger of the country's disintegration. Chechnya is effectively no longer part of Russia. He claimed that this tendency is spreading and that many regions want to be independent. While the federal government has no strategy for addressing the regions, the threat of disintegration will be great.

Berezovskii, said that he was strongly opposed to independence for Chechnya. He said that if it were granted it would be a decision taken under pressure or when there were no other options.

Berezovskii said that if Russia were to become a confederation instead of a federation, it would need a plan to make the transition. Now there is no such plan and no one in the country knows how to make such a system work.

Berezovskii made his remarks just a few days after Yeltsin had fired him as CIS executive secretary. Although he did not give away any new information, his answers were generally short and to the point. In summing up Primakov's chances for winning the presidency, he said that they were "no greater than he is tall."

INGUSHETIYA ELECTS NEW PARLIAMENT. Ingushetiya elected all 21 members of its parliament during the 28 February elections, with a 52 percent turnout. Following the elections, Ingushetiya President Ruslan Aushev said that he would not allow the parliament to intervene in the political life of the republic (*Nezavisimaya gazeta*, 6 March). To keep the parliament focused on making laws, he threatened to use his power to disband it, if the members stepped out of line. Since no Russians were elected to the legislature, Aushev removed an ethnic Ingush winner with the smallest number of votes and replaced him with a Russian. Two Chechens were among the victors, as required by republican law.

Among the key tasks of the new body will be improving social guarantees for the neediest groups of the population, returning ethnic Ingush refugees to North Osetiya, and adopting laws on the Congress of Peoples of Ingushetiya, land, and local government (*Kommersant Daily*, 10 March). The last parliament did not approve the law on the Congress by one vote despite intense pressure from Aushev. This new body would be chaired by Aushev and include the legislators, members of government appointed by them and the president, and republican judges. Critics charge that creating the Congress would put an end to the division of power in the region. The battle over the issue is set to be tense.

LEBED CUTS A DEAL WITH NORILSK NIKEL. Krasnoyarsk Krai Governor Aleksandr Lebed, the city of Norilsk, Norilsk Nickel, Norilsk Combine, and the Norilsk Mining Company signed a general agreement on cooperation last week. Norilsk Nickel is the krai's largest taxpayer, providing 46 percent of the krai budget revenues. However, it is located in the Taimyr Autonomous Okrug, a region that is simultaneously part of the krai, but has its own governor and is among Russia's 89 federation subjects. Lebed is concerned about the separatist activities of the okrug authorities who want most of the tax income from Norilsk Nickel to stay in the okrug rather than going to the rest of the krai. Norilsk Nickel has often used the conflict between the krai and the okrug for its own purposes. Thus, whenever krai authorities began to crack down on Norilsk, it would threaten to reregister its main subsidiaries from the krai's jurisdiction to the okrug's. Norilsk Nickel has already registered one subsidiary in the okrug, Taimyrgaz.

Lebed compromised to reach the agreement. Now most of the taxes from the plant will stay in the okrug. Eighty percent of the income tax will go to the okrug, while only 20 percent will go to the krai. Lebed will also lobby the interests of the plant in Moscow. In exchange, Norilsk Nickel will register all new subsidiaries in the krai. Additionally,

Norilsk Nickel agreed to loan Krasnoyarsk money in difficult moments. The actual figures involved in the agreements are not yet available since the documents will only be signed in the middle of March (*Kommersant Daily*, 9 March). Norilsk Nickel is owned by Vladimir Potanin's ONEKSIMbank, which did not support Lebed in last year's gubernatorial campaign.

TITOV ON HIS REGIONAL BLOC. Samara Governor Konstantin Titov said that he set up his new Golos Rossii bloc of regional leaders independently of the presidential administration and the government, in an interview with *Kommersant Daily* (9 March). He did not rule out any alliances with Prime Minister Yevgenii Primakov, former Prime Minister Viktor Chernomyrdin, or Yegor Gaidar's Pravoe Delo. However, he did say that his bloc is unlikely to work with Moscow Mayor Yurii Luzhkov ("no negotiations since the formation of Otechestvo"), Yabloko leader Grigorii Yavlinskii (he is a "capricious bride"), or the Communists.

Titov also claimed that stories about Khakasiya Prime Minister Aleksei Lebed leaving the bloc were untrue. Titov reported that Lebed had called him at 7 o'clock in the morning to say that his words had been quoted out of context. Titov even suggested that Krasnoyarsk Governor Aleksandr Lebed, Aleksei's older brother, might join his bloc.

Federation Council Speaker Yegor Stroeve said that he had respect for the efforts of the governors who are trying to turn the Duma into a more productive, and less politicized institution (*Izvestiya*, 11 March). Stroeve said that the bloc would support the most respected people from the regions. Tatarstan President Mintimer Shaimiev has also made positive references to Titov's bloc (*Izvestiya*, 10 March) and Titov said that they have long cooperated.

PRUSAK LISTS DIFFERENCES WITH GOVERNMENT. Novgorod Governor Mikhail Prusak, who recently had an emotional encounter with Prime Minister Yevgenii Primakov, listed his differences with the government in an interview with *Nezavisimaya gazeta* (4 March) (see *EWI Russian Regional Report*, 25 February). He thinks that the government should lower its taxes on vodka as a way of increasing its revenue. The current high taxes drive most vodka sales underground, he complained. Additionally, he believes that the Central Bank should lower the rate it charges for investment loans. Now businessmen can not gain access to credits cheap enough to make investments profitable.

Prusak said that his experience in the Communist Party of the Soviet Union, Sergei Shakhrai's Party of Russian Unity and Accord, and Our Home is Russia showed that new parties being formed amounted to "nothing." He said that there is no multi-party system in Russia because only the 1 percent of the people connected to the authorities participate in creating parties. He claimed that Titov's new party which hopes to win 60-70 seats in the new parliament has "no significance."

Prusak again called for electing the State Duma from single-member districts rather than electing half of the members from party lists. However, he admitted that this change would give the governors greater control over the candidates. In 1995, his administration had strongly supported the victor in Novgorod's district, Yevgenii Zelenov.

Prusak wants to let the president appoint governors, but only in conjunction with an overhaul of the current system. He wants a unicameral legislature, elected from single-

member districts. In the government, there should only be a prime minister and ministers, eliminating the posts of deputy minister and first deputy minister. The presidential administration should not engage in economic activities and there should be no presidential representatives in the regions. Local government should be pushed down (*spusheno*) below the raion level. Prusak made clear that appointing governors would only be acceptable in conjunction with all these changes. He would support changing regional borders only 4-5 years after all these changes were implemented.

Yeltsin recently appointed Vladimir Chistyakov as his presidential representative in Novgorod (see *Rossiiskii regionalnyi byulleten Instituta Vostok-Zapad*, <http://www.iew.org/rrabout.nsf>, 8 March). Prusak had asked the president to make him the representative and, failing that, had suggested some one for the post. Yeltsin rejected both offers. The governor commented, "We'll live. It's nothing terrible."

CASE AGAINST TULA'S GOVERNOR TO GO TO COURT SOON. The investigation of vodka sales at the Lenin Collective Farm in Tula Olbast is almost over and will go to court soon, *Izvestiya* reported on 11 March. Tula Governor Vasilii Starodubtsev, a former coup maker who served as director of the farm for much of his career, including a stint following his release from jail after the 1991 coup, is among those likely to be implicated in the illegal vodka sales. The farm avoided paying taxes on vodka it sold domestically by filing paperwork that it had sold the beverages abroad. Domestic sales of vodka face an 80 percent tax, which exporters do not have to pay. Together with fines, the Lenin Collective Farm allegedly owes the state 130 billion rubles.

Izvestiya claims that Starodubtsev will run for the State Duma on the Communist Party list so that he will have legal immunity. The paper also says that the Communists want to remove him as governor since the two years of his leadership has been such an economic disaster, that his continued tenure is doing the party more harm than good.

ECONOMICS

MOSCOW PASSES BALANCED CITY BUDGET. Moscow passed a 72.7 billion ruble balanced city budget 23 February. The budget is a victory for Mayor Yurii Luzhkov who resisted attempts by the city legislators to increase social spending at the expense of the city investment fund (*Moscow Times*, 25 February). The final draft substantially cut funding for TV Tsentr, considered the broadcast arm of the mayor's electoral campaign (*Izvestiya*, 27 February). The station's staff is divided and the best journalists continue to leave.

PATTERNS OF REGIONAL DEVELOPMENT

FORMER POLICE CHIEF ACCUSES SARATOV AUTHORITIES OF CORRUPTION. In the wake of the stepped-up federal crackdown on corruption, former Saratov Police Chief Vladimir Bulgakov has broken months of silence to explain his firing in June 1998. He claims that the giant Liksar liquor and vodka enterprise and its numerous subsidiaries, particularly Baliz, support the personal interests of Saratov Governor Dmitrii Ayatskov. Baliz is located in Ayatskov's home region of Baltai Raion.

The director of the enterprise is Roin Pipiya, whose business career, Bulgakov claims, is connected to Aleksandr Zemtsov, the alleged former leader of a Saratov organized crime group now living in the U.S. Many in the oblast believe that Zemtsov financed Ayatskov's 1996 gubernatorial campaign through his trusted subordinates, Pipiya and current oblast Trade Minister Rinat Khalikov.

In December 1997 Bulgakov began investigating the activities of Liksar and immediately ran into serious opposition. The former police man said that Ayatskov told him, "you have crossed a red line. Now you will not work in Saratov or Krasnoyarsk." Bulgakov was born in Krasnoyarsk and had hoped to continue his career there. At that point, Ayatskov, Oblast Duma Chairman Aleksandr Kharitonov, and Presidential Representative in Saratov Petr Kamshilov sent a letter to then Minister of Internal Affairs Anatolii Kulikov demanding that Bulgakov be fired.

Bulgakov managed to save himself by gaining an audience with Kulikov and explaining the situation in the oblast. Nevertheless, Kulikov sent a federal commission to Saratov, headed by First Deputy Minister of Internal Affairs Vladimir Kolesnikov. The commission ultimately adopted a compromise decision: leave Bulgakov in his job, but not publish his allegations about the relationship between the oblast leadership and the regional vodka business.

Bulgakov violated the conditions of the compromise when he launched an investigation into the exaggerated figures of the "record" 1997 harvest. That year the Saratov authorities claimed that the oblast had gathered more than six million tons of grain. This figure aroused suspicion among experts whose data suggested that the harvest could not have been more than 4.5 to 4.7 million tons. The police investigation bore out these suspicions and Ayatskov then launched a new attack on Bulgakov. Bulgakov claims that Ayatskov won his dismissal through his contacts with President Boris Yeltsin and his daughter Tatyana during the May 1998 G-8 meeting in Birmingham, England. After Sergei Stepashin replaced Kulikov as minister, it became easier to remove Bulgakov and he was fired as chief in June 1998 and removed from service altogether in November.

It is possible that Bulgakov's story is just the bitter invective of a disgruntled former employee. However, he claims that he told Stepashin twice about high level corruption in Saratov and suggested continuing the investigation. Although Bulgakov claims that Stepashin told him he would continue the investigation as recently as September 1998, Bulgakov was fired instead.

In February 1999, the Federal Tax Service, at the request of the Russian government, began to audit Liksar's books. Pipiya was quickly moved from his position as chairman of the board at the enterprise to a newly organized corporation called Volga Grain, which includes 15 grain-producing enterprises and the main alcoholic beverage enterprises of the oblast.

Bulgakov is not resting. He has registered a social organization called the Association of Law Enforcement Agency Workers, which will support law enforcement officers who have suffered at the hands of the regional authorities. He has also set up a political organization called For Clean Power, which will block the rise of corrupt politicians and work against those already in office. He claims to have plenty of material to support his activities and plans to form an alliance with former Vice Governor Vyacheslav Volodin, who recently took a position in the Central Council of Moscow Mayor Yurii Luzhkov's Otechestvo party. - Yuliya Yeliseeva in Saratov

NEW RULES SEEK TO CLEAN UP SVERDLOVSK GUBERNATORIAL

CAMPAIGN. Sverdlovsk Oblast will hold its gubernatorial elections in August. Election officials and regional legislators believe that the candidates will employ a variety of dirty tricks and hope to adopt new rules that will reduce these methods to a minimum. The oblast electoral commission has suggested ending the much-abused practice of letting invalids vote in their homes weeks before election day, reducing the amount of advertising time candidates can buy on commercial broadcasters, abolishing the 25 percent minimum turnout requirement, and forcing all candidates to put up a sum of money that they would forfeit if they ultimately lose the race.

Critics have pointed out that these proposals are unlikely to be effective. Reducing the amount of advertising time allowed to candidates would only drive up prices of the ads and in no way offer equal chances to all candidates. Abolishing the 25 percent barrier would eliminate the need to hold elections ten times in hopes of encouraging the required turnout, but it would be hard to say that the elections were representative if fewer than 25 percent of the population voted.

The Oblast Duma Committee on Legislation has also developed its own set of recommendations. The legislators want to reduce the number of signatures candidates must collect to be registered. Many violations of the electoral law occur in the phase of the campaign as people are paid to collect signatures. Additionally, the committee wants to increase the sum that individuals and corporations can contribute to campaigns. In this way, the committee hopes to make campaign finance more transparent and legalize the funds used to support various campaigns. The Oblast Duma has already given preliminary approval to these amendments by passing them in the first reading.

Clearly the authorities are trying to clean up the electoral process, and this effort is definitely welcome. However, some of the proposed changes would not be improvements. Clearly, using the signature collecting process to filter out candidates who are not serious has not worked. By lowering the barrier, there will be fewer violations of the law, but there will inevitably be more candidates. The greater number of candidates will confuse the voters and waste lots of public money on giving them free access to the media which they can use as they wish. Forcing candidates to put up collateral which they will forfeit if they lose the campaign would reduce the number of candidates, but there is no provisions for this option in federal law, so the oblast cannot simply introduce it.

Raising the cap on campaign spending is also unrealistic since the amounts actually spent are so large. Experts estimates that serious gubernatorial campaigns in Sverdlovsk Oblast will cost \$2 million. Since the legislature is unlikely to legalize that amount, making smaller amounts legal would not really address the problem. Current legal limits on spending are hardly enough to hire two good political consultants, observers complain.

The Oblast Duma will adopt amendments to the electoral law soon, so the gubernatorial race will be conducted under new rules. However, the new rules will likely not change the principle course of the campaign. - Natalya Mints in Yekaterinburg

DAGESTAN REJECTS PRESIDENCY. Voters in Dagestan's 7 March elections rejected a referendum to establish a presidency in the republic, with 70 percent of the

population voting against. Seventy percent of the eligible voters participated. Additionally elections were valid in all of the 121 districts for the republican legislature, except in the village of Karamakhi. Wahhabis, who do not recognize any secular authorities, are the predominant residents of that region. Winners were declared in 77 districts, there will be runoffs in 39 districts, and repeat voting in four districts. The second round will likely be held on 21 March.

Among the winners were the brothers Sharaputdin and Bagautdin Musaev, who had been accused of embezzling 48 billion rubles from the Pension Fund while Sharaputdin Musaev was in charge of it. Two days before the elections, the local leaders of the Ministry of Internal Affairs, Federal Security Service, and procurator's office called on the voters not to support the Musaevs. Dagestani Minister of Internal Affairs Adilgirei Magomedtagirov even said that he would arrest them when they came out of hiding to pick up their new credentials as legislators in Makhachkala.

Although observers from the Russian Central Electoral Commission said that violations of the electoral law were "insignificant," there were in fact many violations. By law, the variations in district size should not exceed 15 percent, but some districts in Dagestan were twice as big as others. Many candidates greatly exceeded spending limits on their campaigns. As a result, several unsuccessful candidates are already preparing to go to court.

The case of human rights defender Ali Aliev includes the entire spectrum of violations and deserves special attention. First Aliev had trouble registering his candidacy, so he had only two weeks to campaign instead of the allotted five. Aliev's opponent was Marat Ilyasov, the son of the State Council member from the Laks who is also the chairman of the republican branch of the central bank. Ilyasov was a member of Makhachkala Mayor Said Amirov's bloc. According to Aliev, the city administration openly supported his opponent. On election day, Aliev hired cameramen to record how buses owned by the central bank brought voters to the polls. One cameraman was forced to give his film to Ilyasov's supporters, an incident that was reported to the police. When Aliev's poll watchers found problems with some of the ballots ostensibly cast for Ilyasov, police forcibly removed them from the room at the commission chairman's orders. The invalid ballots were returned to be counted again.

Overall, Dagestanis voted with their stomachs. The main winners were powerful state bureaucrats, mayors, and financiers who have access to state funds. - Nabi Abdullaev in Moscow

ZHIRINOVSKY PARTY CONFIDENT OF LENINGRAD OBLAST VICTORY.

According to the leader of the St. Petersburg branch of Vladimir Zhirinovskii's Liberal Democratic Party of Russia (LDPR) Gennadii Tuganov, his party's members are 95 percent sure that their supreme leader will succeed in his bid to be elected governor of Leningrad Oblast. This job was vacated by Vadim Gustov when he joined Yevgenii Primakov's cabinet as first deputy prime minister for youth, CIS and regional affairs. Although Zhirinovskii himself will only run for governor in Leningrad Oblast in September, candidates from his party will compete for the top positions in Belgorod Oblast in May, in Sverdlovsk Oblast in August, and in Novgorod, Tver and Moscow oblasts in December. If he wins the top job in Leningrad Oblast, Zhirinovskii will not seek a seat in the State Duma and will move his family from Moscow to St. Petersburg.

At the same time, the LDPR is leading an intensive State Duma campaign, hoping to boost its parliamentary presence, currently at only 50 deputies, behind the Communists and Our Home is Russia (NDR). The August party congress will determine the final list of LDPR candidates competing for the State Duma.

Zhirinovskiy will step up his gubernatorial campaign activities in April. According to Tuganov, the LDPR leader will be meet with voters and spend the entire month prior to the elections campaigning in the oblast. Additionally, the LDPR has dropped its threats to take the electoral commission to court for scheduling the elections in September. The poll will take place one year after Gustov's departure. A court battle would only postpone the elections further, Tuganov said. - Marina Makova in St. Petersburg

ELECTIONS 1999/2000

SMOLENSK OTECHESTVO SPLITS OVER ELECTION STRATEGY. At the 19 February meeting of the Smolensk Oblast branch of Moscow Mayor Yurii Luzhkov's Otechestvo movement, it became clear that the organization will split, *Komsomolskaya Pravda-Smolensk* reported (23 February). One faction will follow the current head of the regional branch, former Smolensk Mayor Mikahil Zysmanov. The other faction will be led by Aleksandr Fedorov, a young and energetic local entrepreneur. Fedorov's supporters protested the presence at the 19 February meeting of people who were not authorized to vote for the branch's leadership, but whom Zysmanov nevertheless brought in to rig the vote. At a meeting prior to that, which Zysmanov did not attend, the majority of the branch's members voted to elect Fedorov as the new leader.

In protest of such blatant violations, Fedorov and five of his supporters marched out of the meeting. The key reason for the split was the young members' disagreement with Zysmanov on the movement's strategy in the upcoming State Duma and presidential elections. Specifically, Zysmanov refuses to cooperate with the oblast administration under the leadership of Governor Aleksandr Prokhorov. Incidentally, Prokhorov has been trying to establish a working relationship with Otechestvo's Moscow headquarters, but has failed to make many inroads with Luzhkov's staff.

Fedorov's group of "young Turks" has shown great ability in attracting the support of business and industry leaders from the oblast. Some of the enterprise directors confess privately that if Otechestvo in Smolensk continues under the leadership of Zysmanov, they will not support it, because the former mayor is not the kind of candidate that voters would back. In contrast, they are prepared to give vast financial support to Fedorov. The Moscow headquarters also tacitly wants to see Fedorov at the helm, but it is waiting to see what develops before intervening. Moscow, furthermore, is ready to provide the Smolensk branch with major financial support, but only if it is led by a reputable, flexible, smart and energetic politician. Meanwhile, Fedorov and his group do not want to alienate Zysmanov completely and are offering him a high level position in the movement leadership, if he is willing to step aside and drop his claims to leadership. - Arsentii Ledovskii in Smolensk

CENTER-PERIPHERY ISSUES

KRASNOYARSK PROBE CONTINUES. In the first week of March First Deputy Interior Minister Gen. Vladimir Kolesnikov announced that his investigation of police work in Krasnoyarsk Krai showed serious cause for concern, particularly in the cities of Achinsk, Nazarov, Divnogorsk, and the Lenin Raion of Krasnoyarsk (for further information on Kolesnikov's investigation, see *EWI Russian Regional Report*, 18 February). The main problem is tax evasion. Although exports of products from the krai have increased by 34 percent, tax revenues have declined by 8.2 percent. Such large enterprises as Krasugol, the Nazarovskii and Berezovskii coal mines, the Krasenergo power utility, and the Achinsk Alumina Combine are consistently delinquent in their tax payments to federal, regional and local authorities. Tax agencies estimate their total debt to be over 3 billion rubles.

Three criminal cases have been filed against people accused of committing economic crimes, and one prominent businessman, Sergei Bayakin, was arrested. Bayakin is the head of the Enisey trading house, a city council deputy, a high-ranking official in the Siberian branch of the Russian Academy of Sciences, and an enthusiast mountain climber. Two years ago, when Bayakin was close to then-Governor Valerii Zubov, he organized an Everest expedition, in which he also took part. Today Bayakin stands accused of misusing public funds allocated for supplying the krai's northern areas with food. General Kolesnikov also reported that one Krasnoyarsk enterprise has been found to be in the middle of a large-scale embezzlement scheme in Dagestan, involving 2.5 billion rubles of public funds.

The commission also studied documents of 18 murder cases in the aluminum, coal, and alcohol industries and in law enforcement organs. Kolesnikov promised that the police will continue investigating these cases until the guilty parties are brought to justice. The general specifically commented on the disappearance last December of Andrei Cherkashin, the deputy chairman of the krai property committee. According to Kolesnikov, Cherkashin was killed because he must have been "in somebody's way." Investigators are working on the hypothesis that Cherkashin had learned about the preparations by criminal groups to bankrupt Krasugol and thus take it over, and was planning to report on it to the governor. In conclusion, Kolesnikov assured the press that if in the course of the investigation some high-ranking official will be implicated, his team will not hesitate to arrest him, regardless of the official's post or party affiliation. - Pavel Avramov in Krasnoyarsk

RYAZAN REBUFFS MOSCOW'S PLAN TO NATIONALIZE ALCOHOL PLANTS. Many parliamentary and regional leaders have raised the question of reviewing and possibly reversing the results of the national privatization process, deemed by some as criminal and ridden by crony patronage. However, until now the federal Ministry of State Property, the main agent of privatization, has not called privatization into question. Recently, however, it did just that, much to the dismay of Ryazan Oblast legislators.

In 1991 the oblast Soviet passed a resolution making the oblast the owner of all liquor and alcohol enterprises in the region. This resolution became the governing document for the privatization and management of state-owned spirit enterprises. However, during the latter part of 1998, the Ministry of State Property demanded that the oblast transfer all the alcohol and liquor enterprises to federal ownership for subsequent

transfer to the national alcohol producing holding company, Rosspirtprom. Naturally, this move challenged both the 1991 resolution and the privatization of these enterprises overall.

None of these enterprises are very attractive investment targets. In 1998 they were operating only at a fraction of their capacity. While spirit plants paid 314 million rubles in taxes in 1997, last year they only managed to pay 121 million rubles, and not because of inefficient tax collection. There is a tax collector assigned to each factory.

There are several reasons for such a deplorable state in Ryazan's spirit industry. First, Ryazan's spirit makers face stiff competition from other regions. About 40 percent of all alcoholic products sold in the oblast are imported from elsewhere. Although of inferior quality, imported liquor is more popular because it is relatively inexpensive. Second, Ryazan's own spirits are expensive to produce, and by the time they make their way to store counters, customers have to fork over 18-19 rubles for a liter. In contrast, spirits from Tula Oblast cost only 15 rubles a liter, because Tula's spirit makers enjoy more favorable subsidies from their regional authorities. Finally, cash strapped Ryazan enterprises do not have the money to buy raw materials for inputs, which is why they have to operate at a fraction of their capacity. Due to a lack of raw materials, oblast spirit enterprises stood dormant for 200 days last year.

Of course, all the above statistics come from official sources. The alcohol industry has been heavily influenced by organized crime, and therefore is not very transparent. It is quite possible that the true state of affairs in the industry is quite different from the official data.

As for the oblast legislators, they had to choose between the federal ministry and the current shareholders and investors in the industry. In the event, the oblast Duma decided that the 1991 resolution is legal and binding, contradicting the federal orders. Among other concerns, the legislators do not want to lose control over the spirit enterprises on their territory. However, this conflict is far from over. (*Ryazanskie vedomosti*, 20 February, *EZh-Rus*, 24 February and 3 March) - Sergei Postnov in Ryazan

BUDGETARY ISSUES

TOMSK DUMA CONSIDERS A DEFICIT BUDGET FOR 1999. At the recent meeting of the Tomsk Oblast Duma, the legislators considered the proposed oblast budget for 1999. Vice Governor Vladimir Ponamarenko tried to explain to the body why the budget provides for a 700 million ruble deficit and how the administration plans to handle it. According to Ponamarenko, 446 million rubles from the deficit are necessary to index salaries for public sector employees. There is no way around it, the oblast needs to fund this expenditure, otherwise public sector employees simply could not survive on their already meager salaries in the face of the country's rising inflation rate. However, should the oblast fail to obtain additional funds for the indexing from Moscow, the social situation in the region might become even more dire. There is little hope for any other sources of funding, although the administration is fond of talking about them. The only real way to cover the budget deficit is funding from Moscow, specifically the federal debt for the sale of the Eastern Oil Company (VNK). The governor's office is aware of the situation, but has run out of ideas on what other expenditures to cut. Expenses on local governments, in particular, have been cut.

The only legislator critical of the budget was Tomsk Mayor Aleksandr Makarov. According to one of his deputies, the city administration plans to protest and will fight for the rights of city residents. The new oblast budget strips Tomsk of 434 million rubles. The oblast Duma simply brushed aside the city's presentation of its fiscal needs. As a result, many categories of Tomsk residents have found themselves unprotected. Without oblast funding, the city cannot make the compensation payments, and in all likelihood it will be blamed for this situation. Makarov plans to voice his protest in a political address to the people. - Andrei Bondarenko in Tomsk

POLITICAL ECONOMY

KOMI REPUBLIC REVEALS ECONOMIC STRATEGY FOR NEXT TWO YEARS. The country's economic crisis has adversely affected virtually all regions of Russia, and the Komi Republic is no exception. In 1998 the republic failed to maintain the growth registered in 1997. Production in the coal, oil and timber industries plummeted significantly. Additionally, more Komi residents today (26 percent) live below the official poverty level (*Krasnoe znamya*, 25 February).

In order to minimize the negative impact of the crisis and reduce the resulting social tension, the staff of Komi Republic's Chief Executive Yurii Spiridonov is developing a comprehensive economic strategy for 1999-2000. This is a revised version of an earlier economic strategy for 1998-1999, which became quickly outdated after the August 1998 crisis events. The original document listed economic growth as its main objective. In contrast, the current strategy will focus on stabilization of the standard of living and securing the normal functioning of basic spheres of life.

To achieve its goals, the Komi Republic will employ several methods. First, it will increase government involvement in the areas of management of state and municipal property, price control, foodstuffs supply, cash flows, salary payments, and industrial restructuring. Komi's fiscal policy will aim to increase sources of budget revenues, strengthen financial control over monetary flows, and restructure republican debt obligations. The government wants to help the banking system stabilize through supporting the creation of larger banks, finding ways to make the republic more attractive for investors, and promoting entrepreneurship.

According to the president of Ukhtabank, who also seats on the republican economic council, the proposed program is overly optimistic. He further recommended that under current conditions Komi Republic should concentrate on developing export-oriented sectors of the economy, and use the revenue from these sectors to address other economic and social problems (*Respublika*, 17 February). Furthermore, it is also not clear from the program how the government plans to develop its internal resources or make its management of state property more effective. Nevertheless, the cabinet of ministers approved the program at their 23 February meeting. - Yurii Shabaev in Syktyvkar

BREAD PRICES RISING IN VORONEZH. Prices for bread in Voronezh rose as much as 26 percent this week, and a loaf of bread now costs 2 rubles and 90 kopecks. As *Tribuna* reported on 9 February, "Bakeries in Voronezh have enough white flour to last only five or six days" ... and the "oblast's wheat reserves had run dry and the cash-

strapped authorities could not afford to pay farmers for new supplies" (see RFE/RL Newline, 10 February). There was no panic in Voronezh at the time. Moreover, regional authorities assured that though there was no supply of flour in the city itself, there was still plenty of wheat in the vast Voronezh Oblast. They also said that the city would buy the necessary 42 thousand tons of flour from the agricultural enterprises of Voronezh Oblast and the neighboring regions. The purchase prices for wheat has risen 100 percent and flour about 70 percent since last October and these increases have driven up the price of bread in the city. The Voronezh Oblast Price Committee decided that the new price (2.90 rubles) will remain in effect at least until 1 July (*Bereg*, March 5). - Andrei Muchnik in Voronezh

SOCIAL ISSUES

BRYANSK MAFIA ABUSES DUTY-FREE CHERNOBYL BENEFITS. Bryansk State Duma Deputy Oleg Shenkarev has petitioned the Interior Ministry to protect him against death threats he claimed he has received from an activist in the Russian Chernobyl Union. Shenkarev attributes these threats to the amendment he has proposed to the law dealing with benefits for survivors of the Chernobyl catastrophe. Shenkarev would like to reduce the monthly allowances received by some 8,000 Chernobyl survivors, which range from 3,000 to 50,000 rubles. The revenue from this cutback would be used to increase aid to handicapped Chernobyl survivors, who now receive only 100-400 rubles a month.

Additionally, Shenkarev advocates dropping a provision that exempts Chernobyl rescuers from paying customs duties for imported goods. According to the deputy's information, last year about 8,000 foreign cars, a quarter of them new, were imported into the country duty free. Among other vehicles imported into Bryansk Oblast, there were four U.S.-made models equipped with on-board computers (\$52,000 each), 20 new Mercedes-600s (\$95,000 each), 2 armored Mercedes cars (\$380,000 each), and one Mercedes Sprinter, equipped with a gas stove and a bathroom (\$70,000). While ordinary people must pay 50-80 percent of a new car's price in customs duties, the Chernobyl veterans do not bear such costs. Shenkarev insists that 95 percent of these imported cars are resold in Moscow. The State Customs Committee says that this particular customs benefit cost the federal budget 150 million rubles last year alone. Incidentally, this is the same sum that the state pays to all Russian citizens who were affected by the Chernobyl catastrophe.

Yet, not all veterans of Chernobyl know about this benefit, much less use it. Among the veterans stopped at the customs, for example, was a 95-year-old female survivor of Chernobyl, who was trying to import a brand new sports car. Although she did not even have a driver's license and presumably lives on a \$20 a month pension, the old lady somehow managed to fork over thousands of dollars for the car. Shenkarev claims that this duty-free policy is being abused by criminal groups, who employ real Chernobyl survivors to import foreign goods. Besides cars, these criminal groups import buses, furniture, even yachts. In one instance, customs officers stopped a large shipment of alcohol, which the owners were trying to import using a Chernobyl customs benefit.

Customs officials believe that legislators left this gaping legal loophole when the Chernobyl law was amended after the collapse of the Soviet Union. Any attempts by

customs agents to tax cars imported under this provision were taken to court, and judges have consistently sided with the car owners. The Federation Council considered Shenkarev's amendment in the middle of February. However, after Bryansk Oblast Governor Yurii Lodkin spoke out against it, the council voted it down. Shenkarev told the press that obviously Lodkin is acting in the interests of the "Chernobyl Mafia," who doubtlessly will reward him for his patronage. - Nikolai Gorelov in Bryansk

CROSS-BORDER COOPERATION

VORONEZH, UKRAINIAN REGION SIGN CROSS-BORDER COOPERATION TREATY. On 24 February Voronezh Oblast Governor Ivan Shabanov and Lugansk Oblast (Ukraine) Governor Aleksandr Yefremov signed a five-year inter-regional cooperation agreement. The governors met just two days after the Federation Council finally ratified a long-awaited Russia - Ukraine "friendship, cooperation and partnership" agreement. Although Lugansk and Voronezh oblasts are contiguous, the volume of trade between them has dropped 25 percent in the past two years (*Bereg*, 26 February). The new agreement is aimed at increasing economic, scientific and technical cooperation, but also includes articles on ecology, young people, and student exchanges.

The main problem is customs regulations. Federal Nationalities Minister Ramazan Abdulatipov, who was present at the signing ceremony, said that "the border regime is regulated by both the federal government and regional administrations." Since they never agree, most matters "remain unresolved (*ne dvigayetsya s mertvoi tochki*)." Abdulatipov advised the governors to negotiate customs regulations between themselves within the limits of their authority (*Bereg*, February 26). He also pointed out that there are several draft laws that deal with customs issues being considered by the State Duma, but admitted that they are not going to be given serious consideration in the near future (*Voronezhskie vesti*, 26 February). - Andrei Muchnik in Voronezh

INTERVIEW WITH INGUSHETIYA PRESIDENT RUSLAN AUSHEV

"IN PRACTICE, THERE IS NO FEDERALISM."

RRR Correspondents Vasilii Filippov and Dmitrii Grushkin recently interviewed Ingushetiya President Ruslan Aushev. For the Russian text of this interview, see the *Rossiiskii Regionalnii Byulleten*, no. 4, at the EWI web page:

<http://www.iewe.org/rrrabout.nsf>

RRR: Ruslan Sultanovich, how would you characterize the current state of Russian federalism?

Ruslan Aushev: The constitution claims that there is federalism, but in practice, there is no federalism. What is federalism? I understand it as a federative state. Not a confederation, that is a union of states, but federative, in which there is an asymmetrical federation where the regions and the federal center work according to one set of laws, under one constitution. They agree on their powers, who is responsible for what, and act

strictly within that framework. In other words, the relationship between the federal center and the regions is carried out only on the basis of negotiations.

RRR: Does it bother you that on the basis of the negotiations, some regions of the federation receive more rights and powers than others?

Aushev: That's what a federation is. By the way, Ingushetiya still has not signed a power-sharing agreement with the federal government and it is not clear that I will sign one.

RRR: Do you think that the Russian Federation will develop on the basis of negotiations?

Aushev: Yes, that is the way it should be.

RRR: Do you think that the regions with fewer powers will start to demand more?

Aushev: That is their right. Each region should make its own deal. Why? We are not only a federative state, but also a multi-national one as well, and the regions differ according to their national characteristics. Moreover, we must take into account our history. We live in a state where there were deportations, wars. For example, in the Far East there was no war and no nuclear fallout. But Smolensk and Tula are still suffering from the accident at Chernobyl. Therefore, the conditions of their agreement with the center should be different. I represent a people that was deported, therefore in our treaty there should be a point about the people's full rehabilitation. Primorskii Krai should wring out economic independence, otherwise it cannot survive. Obviously it must be given greater autonomy to conduct its own foreign economic policy. The same is true for Yakutiya (Sakha). Some regions should be declared off-shore zones. Thus, each region should make an agreement with the center based on its geographic, national, or other characteristics.

RRR: At the beginning of our conversation, you said that the regions and center should work according to one set of laws. But now regional laws differ significantly from federal constitutional and legal norms. Should the regional laws be brought into accordance with the national legislation or do you think that the status quo is a normal situation and that the regions should have higher standing in forming legislation?

Aushev: It depends on what the issue is. Some areas, such as defense and space, are under exclusive federal control. Some are under regional control. When we adopt a republican law on daily life issues of the population, of what interest is it to the federal government?

RRR: What about the police? The criminal code?

Aushev: There should be one criminal code for all of Russia, but on several specific issues, there should be negotiations.

RRR: Moscow Mayor Yurii Luzhkov has suggested reducing the number of regions, by combining several into larger units...

Aushev: Certainly, on a voluntary basis. For the city of Moscow it is easier, it is not necessary to talk to four governors, just two. Let the city of Moscow combine with Moscow Oblast, St. Petersburg with Leningrad Oblast.

RRR: And Tatarstan with Nizhnii Novgorod Oblast?

Aushev: Never! Forget about changing the borders of the ethnically-defined republics. When I went to the inauguration of Nursultan Nazarbaev in Kazakhstan, the Ingush who gathered there said "Our President has arrived!" There were also governors there from neighboring oblasts, such as Kurgan's Oleg Bogomolov. But of course the Russian-speaking population there did not say "Our president has arrived." If Yeltsin came, they would say, "The president of Russia has arrived." As if a relative had come. That is the difference.

Why do we need a republic with additional powers? We have greater expenses. We need to teach our own music as well as Russian music. We need to support theaters in our own language and in Russian. We have to maintain our nationality in this world, and for this we need to have greater opportunities and more funds.

RRR: The current inter-regional associations...

Aushev: Useless! What is the most important problem in the Russian Federation today? Money. When the Great Volga association meets, for example, they may have 500 million rubles to divide up. I understand that they have something. What do we have? I have worked in the North Caucasus Association for five years and no one has offered me anything. During the crisis, all should gather and decide "OK, within our association, let's not raise prices, particularly on bread. But this does not happen. There is no real work being done. Why do they even bother meeting? Simply to look at each other and then in the evening make toasts to friendship and a united Caucasus? But if there were money involved it would be a different matter. If there was a flood in Rostov Oblast, we would vote and give them 50 million. There are lots of refugees in Ingushetiya. I would suggest that we address the issue of compensation. "Please help me, we need 25 million for reconstruction." And I would receive money. That is my conception of an association!

RRR: How would you evaluate the current budgetary relations between the Center and the regions?

Aushev: We need to change them. For the republics, the optimal system is based on negotiations. For example, today Ingushetiya receives subsidies while other regions make net contributions to the federal budget. We need to agree how much we should send to the federal budget, but we should also be offered a chance to earn money. We need to create conditions to make this possible. Samara Oblast is not so rich simply because Konstantin Titov is in charge there! Ingushetiya also was once rich. We have extracted 23 million tons of oil, more than all the others in the Soviet Union. And what do we have now? Child mortality, tuberculosis.... All of the money is now gone!

I don't understand why I should collect federal taxes. They take them from me and then return them in the form of subsidies. Leave me everything that I earn! Since you can not provide real aid, give me the opportunity to earn.

RRR: If you were to keep all the money you collected in taxes, do you have a right to seek subsidies? How would the country pay for its defense?

Aushev: The state has other sources of income. Where does all the oil go? This is a federal state company! And Gazprom is a state company. Telecommunications? Customs? These are all federal operations. Plus the government should make money from its space operations.

Ninety percent of Ingushetiya's budget comes from federal subsidies. Leave me all the taxes I collect for the republican budget and send the rest of the money I need to meet my needs. Why should the federal government send the rest? Some might say to me "Why do we need you?" If you don't need me, then give me independence. Then I will receive international credits, I will gain funds from international institutions, which I cannot obtain now as part of our unified state. If you don't want to declare Ingushetiya an independent state, then let's work together to solve our problems. It is not my fault that things turned out this way! It is not my fault or the fault of the people that we lived in one state and now live in a different one. Establish conditions so that market relations can develop, increase the opportunities for receiving additional credits and financial support.

RRR: Recently, the presidential representative in Adygeya said the federal government keeps the system of subsidies and does not allow the regions to become independent in order to keep them on a "short leash."

Aushev: That is absolutely correct. By not creating conditions for development, you can ruin everything. For example, Yakutiya is one of the wealthiest republics, but they [the federal government] did everything necessary to make a mess of things. What should the federal government have done? Help them cut prices for electricity, railroads, etc. They have all the gold.

RRR: Ruslan Sultanovich, how do you see the future development of federalism in Russia?

Aushev: Under the current authorities, the system of power will not change. No one is ready for changes even though everyone recognizes the need for change. Everything depends on who will be the next president. If he is an enthusiastic "patriot," it will be difficult; there will be conflict. If he is a man of liberal views, then federalism will be strengthened.

MAYORS AGAINST GOVERNORS?

by Leonid Smirnyagin, former presidential advisor

As the parliamentary elections approach, Russian politicians are becoming interested in the problems of local government in Russian cities. The main reason, of course, is that cities play the leading role in Russian political life. Not counting Moscow and St. Petersburg, more than a third of the Russian population lives in 166 cities with populations over 100,000. Although it is true that urban residents are less active in elections than rural residents, they remain the most entrepreneurial and energetic part of Russian society.

The mayors of provincial capitals are becoming the main opponents of governors and their conflict often is the main cleavage in regional political life. The growth in the political activity of mayors is a relatively new phenomenon. In the 45 gubernatorial elections which took place immediately after the 1996 presidential elections, only two mayors participated, Abakan's N. Bulakin and Volgograd's Yurii Chekhov. Neither of them made it into the runoffs. At that time, members of the State Duma (six winners from 16 candidates) and chairmen of regional legislatures (all seven participants won) were

more active. Then, in the elections that took place in 1997 and especially in 1998, mayors of capital cities not only became more active, but won nearly every race they entered against sitting governors. If gubernatorial elections were held next Sunday, nobody doubts that Yaroslavl Mayor V. Volonchunas would defeat Governor Anatolii Lisitsyn, Yekaterinburg Mayor A. Chernetskii would defeat Governor Eduard Rossel, and Novosibirsk Mayor V. Tolokonskii would defeat Governor Vitalii Mukha.

The main political strength of these capital cities is their economic power. The oblasts generate most of their tax revenues from the capital cities. According to data collected by the Urban Economics Institute, in 23 regions the budget of the capital city is larger than the oblast budget (excluding the city). This list includes not only small cities and republics like Tyva and Kalmykiya, but also large oblasts like Voronezh, Rostov, and Nizhnii Novgorod. If regions and their capital cities were included together in one list based on the size of their incomes, then Yekaterinburg is in sixth place (higher than Chelyabinsk Oblast), Omsk in 11th place (higher than Tyumen Oblast), Nizhnii Novgorod - 13th (higher than Krasnodar Krai), Samara - 17th (higher than Sakha) and Perm- 19th (higher than Volgograd Oblast).

In other words, Russia's largest cities are comparable to entire regions in terms of the size of their budgets, and their mayors have equal political weight as governors. Therefore it is not surprising that politicians and parties are paying them considerable attention on the eve of parliamentary elections.

What is surprising is that this interest comes at the same time that the rights of local governments are under attack and their problems are becoming more intense. The attacks are the result of a lack of understanding about local government and federalism on the part of the leaders of the current Russian government, rather than their ill will. Particularly alarming are Prime Minister Yevgenii Primakov's calls "to strengthen executive authority," "build a strict system of management," and "to make the state manageable from top to bottom." All of these statements are mixed up with calls to "strengthen federalism." Several regional leaders have come out with sharp attacks on the idea of local government. Some experts even claim that Russia has not evolved far enough for local government.

The problems of local government are not new, but they have been getting considerably worse recently. One problem is the heritage from the Soviet era that concentrated the country's productive might in the main economic centers of the country. Because of this legacy, even many relatively well-off cities are heavily dependent on two or three gigantic enterprises, which are their main tax payers. The majority of Russian cities today are lifeless. Of 13,000 local governments, only 400 generate enough income to meet their own budgets, the rest rely on subsidies. These subsidies must come from the money collected in the richer cities. Inevitably, the need to redistribute this money gives rise to a cumbersome bureaucracy, which constantly provokes complaints. One result is the scandalous dependence of local governments on others for their budget. On average in Russia, only 18 percent of a city's income comes from its own taxes, and 4 percent from non-tax income. The remaining nearly 80 percent of income comes from the regulated federal taxes, of which one third are guaranteed to local government by federal law, and two thirds depend on the decision of regional authorities (at the oblast or republic level).

This miserable situation is only made worse by the fact that local governments must spend lots of money to carry out unfunded mandates, the decisions and laws adopted by regional and federal authorities that require local governments to take action without providing them with proper funding. These expenses come in the form of benefits for veterans and other categories of the population in the use of the city's infrastructure, particularly the public transportation system. Generally local governments carry this burden without complaint. One exception was the 1996 case of Koryazhmy (Arkhangelsk Oblast) Mayor A. Malchikhin who was angry that the oblast forced him to pay children's benefits. After paying the benefits, he successfully sued the oblast government to recoup his expenses. This case has become legendary among supporters of local government, a confirmation of how atypical it was (for an example of a similar case in Ulyanovsk, see *EWI Russian Regional Report*, 14 January).

The politicians' increased attention to local government could actually make the situation worse. The national politicians are interested mainly in the larger cities, which are generally richer than their smaller neighbors. The mayors of these cities are constantly complaining that a significant share of their taxes are collected by the oblast to provide subsidies for poorer cities. There is nothing easier than "buying" the support of these cities by coming out in support of giving local governments financial independence. In effect, such calls would lead to the dismantling of the subsidy system. Under the guise of a seemingly good policy, thousands of hapless local governments would be placed at the mercy of 400 mayors of rich cities.

Such a split in the ranks of local governments could be fatal for the entire movement supporting the "lowest rank of Russian democracy." The real political power of the urban electorate is concentrated in the large cities, and the establishment of real local government in Russia depends heavily on the ability of the large cities to force politicians of all persuasions and at all levels to take it seriously. If the enemies of local government succeed in dividing the movement, it will not only be deprived of leaders, but also acquire new and influential enemies.

For the Russian text of this interview, see the *Rossiiskii Regionalnii Byulleten*, no. 4, at the EWI web page:

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Legislators Almost Dismiss Sverdlovsk Cabinet

St. Petersburg Legislators Continue Battle over Speaker's Post

Komi Local Governments Remain Subordinate to Republican Executive

Volgograd Mayor Seeks Allies in Fight with Communists

Battle over Vladivostok Electoral Commission Continues

Small Business

Ulyanovsk Small Business Prepares Aggressive Stance Against Authorities

Rostov Oblast Small Businesspeople Angry over Taxes

Foreign Ties

EU Program Helps Tver Villages Learn from Finnish Experience

Interview with Tula Governor Vasilii Starodubtsev

Asymmetrical Federalism Will Destroy the State

Regional Links

Russian Regions on the Web: A List of Lists

Investment Opportunities in Russia

Advertisement

EWI Handbook of Russian Regional Executives

BREAKING NEWS

POLITICS

GAZPROM CUTS SUPPLIES TO TATARSTAN. Tatarstan usually consumes 17.2 billion cubic meters of gas a year, but Gazprom decided to give the republic only 11.7 billion cubic meters for 1999 because of the region's enormous debts. Overall, the republic owes more than 3 billion rubles, with 10 large enterprises owing the lion's share of the debt. After Tatarstan President Minitimer Shaimiev intervened, the gas monopolist agreed to boost the limit to 14.5 billion cubic meters on the condition that the republic pay cash for the additional deliveries. Gazprom has been meeting its commitments in recent months, but the republic has not. Currently, the republic is only paying cash for 4 percent of the gas it receives. As of last week, Gazprom had eliminated the supplemental deliveries and will now only provide them if the republic pays in advance. Republican leaders believe that Gazprom is trying to crack down on an influential region like Tatarstan so that other regions will be more compliant. (*Vremya MN*, 16 March)

FEDERATION COUNCIL COMMISSION PLACES BLAME FOR 17 AUGUST.

A special Federation Council Commission has determined that Anatolii Chubais, Sergei Kirienko, Mikhail Zadoronov and Sergei Dubinin, among others, were responsible for the economic crisis that began on 17 August 1998. The report also accused Chubais of violating Russia's national interests by holding consultations with the leaders of foreign financial organizations. The report recommended that the men be prevented from further state service or working in organizations that manage state property. The driving force behind the report was the chief of the Federation Council's Analytic Department, Sergei Glazev. *Vremya MN* (16 March) said the full Federation Council would likely approve the report so that members could return to their districts and blame their constituents' problems on Chubais, as usual.

LEBED ANTI-CORRUPTION CAMPAIGN BRINGS FEW RESULTS. Since coming to office last year, Krasnoyarsk Krai Governor Aleksandr Lebed has arrested several high-level officials in the administration of former Governor Valerii Zubov on charges of corruption and publicly trumpeted these accomplishments. Prosecutors, however, have had trouble making the charges stick, *Vremya MN* reported on 12 March. They released former Chairman of the Krai Property Committee Vladimir Kornev, who had been accused of taking bribes, for lack of evidence. Former First Deputy Governor Vladimir Kuzmin was released on 100,000 rubles bail. The official reason was poor health, but the paper charges that the prosecutors were simply looking for a face-saving excuse to let him out. The paper also claimed that when the case against former First Deputy Governor Vladimir Kuzmin and former head of the Main Economic Department Valentin Cherezov for embezzling 9 million rubles unraveled, the procurators filed different charges alleging that the men had taken 17 million rubles in a different scheme.

BORIS FEDOROV SEEKS MOSCOW OBLAST GOVERNOR'S CHAIR. One of the leaders of the right-wing Pravo delo, Boris Fedorov, announced that he will run for

the office of Moscow Oblast governor in the December 1999 elections (*Izvestiya*, 12 March). Yabloko Duma Member Yevgenii Sobakin has also announced that he will challenge Governor Anatolii Tyazhlov (see *EWI Russian Regional Report*, 3 December 1998). Fedorov's participation should make the race more lively. In the 1995 State Duma campaign, he published a blank book entitled *The Economic Achievements of the Chernomyrdin Government*.

KALMYKIYA AUTHORIZES INTERNET CASINO. The Kalmykiya legislature has passed a law seeking to develop the regional gaming business. It sets easy licensing requirements to open casinos and eliminates regional taxes on the businesses. It is also the first region to make it possible to establish a casino on the Internet that will be accessible to anyone with access to the international computer network. Such virtual casinos have been banned in the US, but American versions have simply moved offshore. (*Finansovye izvestiya*, 16 March)

TITOV MEETS WITH UKRAINIAN PRESIDENT; DISCUSSES SEA LAUNCH. Samara Governor Konstantin Titov met with Ukrainian President Leonid Kuchma in Kyiv on 12 March. During the visit he expressed a strong interest in expanding economic cooperation between Russian and Ukrainian regions, although he did not meet with any Ukrainian regional leaders. The president and governor discussed major enterprises in Ukraine and Samara Oblast which could benefit from working together. The discussion focused on such ventures as Sea Launch, joint production of AN-70 and AN-140 airplanes and cooperation in agriculture.

Last August, the US State Department put the Sea Launch project on hold, citing fears that Russia and Ukraine would gain access to sensitive US technologies (see *EWI Russian Regional Report*, 13 August). However, the State Department reinstated the license on 30 September 1998. The project, which will launch rockets from an ocean-based platform, has scheduled the first lift off for 26 March (<http://www.boeing.com/defense-space/space/sealaunch/>).

Titov also commented on the upcoming Russian presidential elections. He indicated that he and Kuchma believe that if elections were held tomorrow, Prime Minister Yevgenii Primakov would certainly win. (*Nezavisimaya gazeta*, 13 March)

BASHKORTOSTAN ELECTS LEGISLATURE. On 14 March Bashkortostan held elections for the bicameral State Assembly and local governments. The voting was valid in nearly all districts for the republican legislature, with repeat elections needed only for a few local councils. Voter turnout was just over 60 percent, about 7 percent less than in the republican presidential elections last year. Voters in Ufa did express some anger against the authorities: "none of the above" received more votes than any given candidate in ten electoral districts for the Ufa City Council. During last year's presidential campaign, in which President Murtaza Rakhimov won re-election despite numerous violations, 17 percent of the voters cast a protest vote.

In the lower chamber, 15 of the 32 candidates standing for re-election held on to their seats. None of the candidates from among entrepreneurs, police officers and union leaders won seats, and only two enterprise directors were elected. Of the seven journalists competing, only one was elected. Party membership proved to be of little

interest to voters. No parties gained substantial representation and the republican Communist Party won no seats. (*Nezavisimaya gazeta*, 16 March)

The upper chamber operates on a part time basis with the majority of the seats held by heads of local administrations and prominent business and social institutions. The deputies are elected in two-mandate districts that correspond with the administrative divisions of the republic. (*Nezavisimaya gazeta*, 13 March) Local executives in Bashkortostan are not popularly elected as in most other Russian regions, but are appointed by the republican president. Thus, many deputies in the upper chamber are beholden to the president for their positions.

Rakhimov announced that he hoped for continuity in the work of the new parliament. (*Vremya MN*, 15 March) He commanded considerable control over the previous parliament and the situation will likely be the same with the current legislature.

ECONOMICS

PHILIPS SELLS OFF VORONEZH PLANT FOR 1 RUBLE. Holland's Philips sold Voronezh's Elektroluchevye trubki (VELT), Russia's largest television picture tube producer, to the Voronezh Oblast administration for 1 ruble on 11 March. Philips bought the plant for \$2 million in 1995 and has since invested \$61 million in it. Additionally, Philips must pay the employees of the plant 3.34 million rubles. Philips had difficulty working with the oblast administration from the first days of its investment because the local authorities criticized Philips for trying to cut jobs at the plant and accused it of not living up to its promises. Philips complained about high energy prices and the difficulty of matching competition from cheaper Asian imports. (*Kommersant Daily*, 12 March) The Russian government is now trying to help revive the plant (see *EWI Russian Regional Report*, 14 January).

SVERDLOVSK GOVERNMENT IMPOSES PRICE CONTROLS ON MEDICINE. The Sverdlovsk Oblast government has capped the markup pharmacies can impose on medicine at 62.7 percent. Pharmacies have been using markup rates of between 25 percent and 300 percent since the fall. Prices for imported medicines have shot up because of the weakening ruble, but even prices for domestically produced medicines have doubled. (*Vremya MN*, 16 March) The decision is obviously aimed at the August gubernatorial elections. In the battle, Yekaterinburg Mayor Arkadii Chernetskii has tried to introduce fee-based health care, while Governor Eduard Rossel has opposed such moves.

DE BEERS WINS MINING RIGHTS IN ARKHANGELSK. South Africa's De Beers diamond monopolist won the right to develop Arkhangelsk's Lomonosov diamond deposit after an extraordinary meeting of Severalmaz shareholders voted to declare Soglasie-De Beers Mining Investments as the strategic investor. De Beers owns 50 percent of the firm (*Vremya MN*, 15 March). Lomonosov's estimated \$12 billion worth of gems could conceivably be extracted at a cost of \$745 million. Last year De Beers began an extensive geological survey and hopes to determine the financial viability of working the mines by 2001. De Beers has said that it would not be willing to invest large sums in the deposit unless it had full control of the extraction process. Russian officials, like

Natural Resources Minister Viktor Orlov, have warned, however, that they would take steps to ensure that Russia's national interests are not violated.

LOCAL CURRENCY APPEARS IN NOVOSIBIRSK OBLAST RAION. The Maslyaninskoe Road Repair and Construction joint stock company has issued its own currency, called Dorozhkami and worth 1 ruble each, for use in the Maslyaninskii Raion. Because of a lack of cash, the firm issued 800,000 rubles worth of the notes, covering three months of pay for its employees. The notes can be used in gas stations, bakeries, and stores owned by the firm. They can also be used to pay local taxes since the local government then passes them on to teachers, doctors and other public sector employees who can use them in company stores. Another Novosibirsk firm issued similar currency last year and more are expected to do so given the shortage of cash in the region. (*Kommersant Daily*, 12 March)

LIPETSK CREATES ITS OWN BANK. The Lipetsk Oblast authorities have created a state-controlled Guberniya Bank in which the oblast and Lipetsk city administration each own 25.1 percent of the stock. Large enterprises and insurance companies in the region own the rest of the shares. The goal of the bank is to provide capital for oblast enterprises and credits for the regional and local governments. (*Izvestiya*, 16 March)

FEDS LAUNCH INVESTIGATION INTO TOMSKNEFT. The State Property Ministry has launched an investigation into who owns the Tomskneft oil company, the *Moscow Times* reported on 16 March. Eastern Oil Company owns a 51 percent stake in Tomskneft, and Yukos, in turn, holds a 54 percent stake in Eastern Oil. The investigators fear that Tomskneft had been transferred to three Cyprus-based companies. US investor Kenneth Dart and his Cyprus-based Acirota Ltd. has been engaged in a battle with Yukos over control of Tomskneft (see *EWI Russian Regional Report*, 28 January). Tomskneft extracted 9.9 million tons of oil last year, likely generating \$500 million - \$600 million in sales.

KEMEROVO ASSEMBLY REPEALS SALES TAX. The Kemerovo Oblast Legislative Assembly on 15 March repealed the introduction of a 5 percent sales tax in Kemerovo which became effective on 1 March, prompting a confrontation with Governor Aman Tuleev. The move was a shock to many since the sales tax did not encounter strong opposition in the oblast. Sales tax revenue was expected to yield an additional 500 million rubles by the end of the year. Furthermore, a considerable number of goods and services, including most food products and communal services, were exempt from the tax. Chairman of the Legislative Assembly Aleksandr Filatov explained that the decision followed protests by the oblast procurator. The procurator charged that the law violated federal legislation since it should not have taken effect until 1 January 2000 and did not include a list of specific taxable goods and services. Repealing the law will cost the oblast the planned revenue, part of which has already been collected. However, for the repeal to go into effect, Kemerovo Governor Aman Tuleev must sign it, and he does not plan to back the legislature's decision. The oblast administration claims that the legislature's action was illegal and has demanded an emergency session of the assembly. (*Vremya MN*, 16 March)

PATTERNS OF REGIONAL DEVELOPMENT

LEGISLATORS ALMOST DISMISS SVERDLOVSK CABINET. Deputies of the Sverdlovsk Oblast Legislative Assembly almost dismissed the regional cabinet due to the mounting wage arrears to public sector employees. Ironically, everything started with the report by the oblast Finance Minister Vladimir Chervyakov, who told the legislators that the overall situation with salary arrears in the oblast is improving. According to him, teachers and doctors are receiving their current salaries on time and being slowly reimbursed for the past arrears. However, the assembly confronted Chervyakov with its own data. According to the chairman of the assembly's Social Policy Committee, Nikolai Voronin, the total wage arrears to public sector employees amounted to 871 million rubles, and some of these employees have not been paid for up to 11 months.

Consequently, the body concluded that the government is doing its job poorly, and even trying to mislead the people and their elected representatives with false data. The legislature wanted to remove cabinet members responsible for salary payments. However, the oblast charter stipulates that the assembly can only vote out the entire cabinet, and the legislators were not ready to take such a drastic step. Naturally, ministers present at the session did not like this idea. Galina Kovaleva explained to the legislators that the problem with public sector salaries cannot be solved with radical moves, and that dismissing the cabinet would not help the situation.

After long debates, the legislature decided to express its dissatisfaction with the government and recommended that the governor consider dismissing several of its members. Incidentally, Governor Eduard Rossel has threatened to remove those ministers who do not fulfill their responsibilities. Oblast Prime Minister Aleksei Vorobev appeared quite indifferent to this talk, saying that it is the governor's right to make personnel decisions. In reality, the oblast assembly is not likely to dismiss the oblast government. Everybody understands that cabinet reshuffles will not address the salary arrears problem. The important thing for the assembly is not to remove specific ministers but to show great activity leading up to the gubernatorial elections. In fact, it is not in the assembly's interests to rid itself of the cabinet, because the governor can then propose that the legislators help pick a new cabinet, forcing them to share responsibility for government policies.

Of course, some members of the cabinet can still be removed, but only by governor's decree. He is the only one who stands to gain from such a move, playing up the conventional model of a "good tsar" and "bad advisors," which Rossel has used several times to avoid personal responsibility for the oblast's economic situation. One can expect the next reshuffle closer to the summer, when it will be clear whether the oblast has managed to pay off salary debts or whether the situation has deteriorated. - Natalya Mints in Yekaterinburg

ST. PETERSBURG LEGISLATORS CONTINUE BATTLE OVER SPEAKER'S POST. Since last December's elections, the new members of the St. Petersburg Legislative Assembly have not been able to agree on who the new speaker of the city legislature should be. As a result, the former speaker, Yuri Kravtsov, continues to serve in the Federation Council although he is no longer a member of the body. (The assembly

has petitioned the Federation Council to cancel his mandate.) In all likelihood the speaker will be elected on a ticket with both of his deputies, allowing the factions to reach a compromise solution, rather than electing a speaker who can appoint his own deputies. However, the factions in the assembly will first have to agree on that procedure.

Viktor Novoselov, who leads the pro-gubernatorial Petersburg Raions faction, would like to see Sergei Tarasov as chairman, with himself and Mikhail Amosov, a Yabloko leader, as deputies. Interestingly, Amosov, who already lost a bid for the speaker's job, denies any kind of agreement with Novoselov. If Tarasov does not receive the backing of many candidates, Novoselov has proposed Akradii Kramarev, the former city chief of police, an alternative. Novoselov is ready to use legal tricks to push through his candidates. He is proposing a scheme requiring that only a majority of the members be present to elect the speaker, not the three-quarters of the body that is now needed.

The Boldyrev Bloc has its own opinion, and its coordinator Anatolii Krivenchenko would like to divide the leadership posts among the factions. Of course, as the largest faction in the body, the Boldyrev Bloc wants the top job. The bloc has already proposed dividing the leadership posts among itself and the Yabloko and Center factions. The main condition is that Krivenchenko or another Boldyrev supporter becomes chairman. Yabloko refused to cooperate. In fact, Yurii Boldyrev's uncompromising and rigid position led to an unusual alliance between the anti-governor Yabloko and the pro-governor Petersburg Raions on some issues. One of the compromise candidates for the post of chairman could be Sergei Mironov, who does not belong to any faction and has previously led the body as acting speaker, but he has not shown any interest in running. - Marina Makova in St. Petersburg

KOMI LOCAL GOVERNMENTS REMAIN SUBORDINATE TO REPUBLICAN EXECUTIVE. Nine months after the adoption of the republican law on local government and one month after local elections finally took place, the process of forming local governments in the Komi Republic is nearly complete. According to the republican law, voters elect town and raion councils, which in turn elect mayors, who have been nominated by the republic's chief executive. In the capital city of Syktyvkar, this process has been slow, because repeat elections are scheduled in ten districts on 28 March. Nevertheless, in the remaining 20 raions of the capital city, local councils met and backed candidates for mayoral posts suggested by Komi leader Yurii Spiridonov. Spiridonov himself, along with the speaker of the parliament and his deputies, participated in the councils' organizational meetings. This helped determine the councils' choices for mayors. In nine raions, Spiridonov's candidates received unanimous support and the same number will serve both as mayors and as council chairs. Even in those few districts where Spiridonov's nominees were criticized, they were all invariably elected.

Although the mayors will be loyal to the republican leadership, their positions are still quite tenuous because of legal complications. Some parts of the republican law on local government contradict the relevant federal statute, and last year the Supreme Court struck them down. One of the questionable provisions is the republican chief executive's right to nominate candidates for mayor. However, the republican parliament has not complied with the high court's ruling and amended the law, so the elections took place in accordance with the original procedure. - Yurii Shabaev in Syktyvkar

VOLGOGRAD MAYOR SEEKS ALLIES IN FIGHT WITH COMMUNISTS.

Volgograd Mayor Yurii Chekhov, preparing to face the Communist opposition in the city's September mayoral elections, is trying to build a wide coalition of support. He is an active member of Moscow Mayor Yurii Luzhkov's Otechestvo and hopes that Luzhkov will hold the party's national congress scheduled for 24 April in Volgograd. Nizhnii Novgorod, Yekaterinburg and Novosibirsk are also bidding to host the event. He is also seeking support from the regional Yabloko organization. In the December legislative elections in the oblast, the party came in a strong second place behind the Communists.

The Volgograd mayor's office is the only high-level post in the region that the Communists currently do not control, and the party is likely to put up a strong fight to win it. The need for unity to oppose the Communists makes an alliance of the Volgograd branches of Otechestvo and Yabloko likely in both the mayoral and State Duma elections, scheduled for December. Parties farther to the right are virtually non-existent in Volgograd politics, so all democratic and liberal voters will have to support a Yabloko or Otechestvo candidate to gain any hope of defeating the Communists in the State Duma single-member district elections next December. - Ivan Kurilla in Volgograd

BATTLE OVER VLADIVOSTOK ELECTORAL COMMISSION CONTINUES.

In the run up to the 16 May Vladivostok City Duma elections, acting Mayor Yurii Kopylov tried to replace members of the city electoral commission. However, Krai Electoral Commission Chairman Sergei Knyazev blocked his move, pointing out that the courts had not found that the city electoral commission had violated the law. He effectively said that the "professionalism" of the commission was extremely low, but that there was no legal basis to remove its members.

This outcome is hardly a defeat for Kopylov and Governor Yevgenii Nazdratenko, who appointed him. In fact, the opposite is more likely the case. Through their actions, they gave City Electoral Commission Chairman Ilya Grinchenko a serious warning about correcting his political views. In the past, he preferred to maneuver between Nazdratenko and former Mayor Viktor Cherepkov, and has been heavily criticized by all sides for the unsuccessful 17 January elections. He will certainly lose his job if the May elections do not go well.

Such problems will surely arise if the election results do not favor those currently in power. Although the krai electoral commission did not reform the city electoral commission, it did create three new precinct commissions. This will be a useful trump for Kopylov who will name their members.

Although Kopylov has said that the members of electoral commissions at all levels should have an appropriate legal background, his first nominees call his stated goals into doubt. In place of the former Cherepkov supporters in the city electoral commission, he has appointed a pensioner, a veteran and a worker in the city's housing agency. It is hard to see how the pensioner will increase the level of professionalism on the commission that generally has to work almost 24 hours a day during the elections. The other members are also of doubtful objectivity: the Vladivostok veterans' association called for a boycott of the 17 January elections and the housing workers are strongly opposed to Cherepkov.

Cherepkov has been in Moscow for two months trying to convince the courts to overturn Yeltsin's December 1998 decree removing him from office. The newspaper *Zavtr Rossii vo Vladivostoke* has organized a fund-raising drive to support the mayor in the capital, though occasionally the Moscow-based networks show him relaxing in a capital area night club.

A hearing on the case has again been postponed until 15 April because President Boris Yeltsin and his chief of staff, Nikolai Bordyuzha, were both sick. Cherepkov was livid that the court made the ruling even though the president did not send the necessary paper work from his doctor confirming his illness. - Yevgenii Popravko in Vladivostok

SMALL BUSINESS

ULYANOVSK SMALL BUSINESS UNION PREPARES MORE AGGRESSIVE STANCE AGAINST AUTHORITIES. The newly elected Chairman of the Ulyanovsk Union of Entrepreneurs (UOP) Khamza Yambaev thinks his organization should move away from collaboration with the authorities and begin defending its members' interests. Yambaev had served as the group's leader until last April, when he resigned to focus on his own business and let other young leaders take the helm. Valerii Shishkin, who replaced Yambaev did not prove to be an effective leader during his one-year tenure. Therefore, dissatisfied members recently voted him out of office.

According to Zvenislav Yashkov, who heads ADTO Service, during the last year the union has lost its image as an advocate of small business interests due to its poor leadership. He complained about the lack of investors' interest in the oblast and unjust levies imposed on small businesses by the regional authorities, which counterproductively lead to lower budget revenues for the oblast. Although the generally dire economic situation in Ulyanovsk Oblast is not Shishkin's fault, his fellow small business executives blamed him for failing to successfully lobby their interests. Indeed, much of his report to the general meeting noted what the group has not been able to accomplish, along with some statistics and lofty goals for the future.

One reason for the UOP's lack of efficiency could be the strong presence on its board of what Yambaev describes as a "pro-authorities" faction. These are people somehow connected to the regional government and therefore averse to any kind of confrontation with the powers that be. However, Mikhail Uryasov, who runs the Dvortsovyi ryad company and sits in the city Duma, feels that this is true of any entrepreneur in the oblast. He believes that no business person can expect to both prosper and confront the regional authorities.

Yambaev agrees that individual entrepreneurs are defenseless in the face of power, but the UOP is an organized force, which can fight the authorities, including through court. To make sure this happens, Yambaev plans to give up his business and lead the union on a full-time basis. As a first step, Yambaev proposed coordinating the work of all the different bodies charged with supporting entrepreneurship, including government committees, foundations and non-governmental organizations. - Sergei Gogin in Ulyanovsk

ROSTOV OBLAST SMALL BUSINESSPEOPLE ANGRY OVER TAXES. The small-scale entrepreneurs of the Rostov Oblast city of Volgodonsk are angry about the

imputed-tax coefficient that the Rostov Oblast legislature has assigned to the city. Eight hundred businessmen have said that they cannot pay the new imputed business tax. The city of Rostov has already lost 1,500 small businesses because of this new levy.

The tax is determined according to preset indicators based on the type of business activity. The indicators take into account factors like the number of workers and floor space. For example, the tax on a barber shop is determined by the number of workers multiplied by the expected income for each worker. The result is then manipulated by the coefficients and the final number determines the tax owed.

There are two kinds of coefficients: for type of business activity and for the characteristics of the area where the business is located. Each business activity has its own coefficient. The location coefficients depend on distance from the regional capital and industrial and business potential. Rostov has the highest. Volgograd has the same ranking as such cities as Taganrog, Novocherkassk, Shakhty and Bataisk. Volgograd residents feel they are being treated unfairly because their city is less advantageous for business than Taganrog. Thus the businesspeople are fighting to have the city's coefficient lowered from its current 0.7 to 0.5. The issue is becoming increasingly politicized as the region's various parties maneuver for electoral support. - Marina Svetlova in Volgograd

FOREIGN TIES

EU PROGRAM HELPS TVER VILLAGES LEARN FROM FINNISH EXPERIENCE. This year Finland helped obtain the support of the European Union's TACIS program for the Tver Rural Project, which is designed to develop the region's rural infrastructure, particularly in the raions densely populated with ethnic Karelians. On 10 March Deputy Governor Anatolii Golovkin and the heads of the raions with a large Karelian population determined which towns and villages will participate in the program. (*Veche Tveri*, 11 March) The officials decided that in April each village will elect two representatives to go through the program. Participants will attend special courses at one of the local pedagogical colleges, with instructors from the University of Helsinki conducting some lectures. They will then visit Finland to study rural infrastructure in the Finnish countryside. The European Union will cover all the expenses. The hope is that the representatives will learn from their Finnish colleagues how to develop their own villages. - Boris Goubman in Tver

INTERVIEW WITH TULA GOVERNOR VASILII STARODUBTSEV

ASYMMETRICAL FEDERALISM WILL DESTROY THE STATE

RRR Correspondents Vasilii Filippov and Dmitrii Grushkin recently interviewed Tula Governor Vasilii Starodubtsev. His views on Russian federalism are very different from those voiced by Ingushetiya President Ruslan Aushev in last week's interview (*EWI Russian Regional Report*, 11 March). Contrasting them highlights the different perspectives of the republican presidents and oblast governors.

RRR: Vasilii Aleksandrovich, what do you think of asymmetrical federalism and how do you see negotiated relations between the center and the regions?

Tula Governor Vasilii Starodubtsev: I believe that it will ultimately lead to the destruction of the state. It is impossible for regions with different and unequal rights and responsibilities, whose status is determined by treaties rather than the constitution, to exist in one federal state. The state should have generally applicable laws. There should be a top-down hierarchy of management so that political, social and economic problems are solved in the same way at all levels, of course, using democratic methods. Naturally, in one state there should be unifying elements which can counteract all centrifugal forces, and prevent them from tearing apart and destroying the state. Without this, the state will not be strong, it will not flourish and that means that it will not have a future.

RRR: What kind of "unifiers" should Russia have?

Starodubtsev: Any region, whether it is doing well or not, should feel the defense, support and assistance of the state. [This aid should be provided] without violating the rights of the other regions.

RRR: For this you need a strong and authoritative center...

Starodubtsev: Yes, you need a strong center, but the regions should have a certain amount of self-sufficiency.

RRR: Are there now real differences between the national republics and the territorially defined oblasts?

Starodubtsev: I believe that within the framework of one state, there should not be different approaches to establishing regions, whether it is a republic, krai or oblast. The political and economic conditions, at the very least, should be similar. Of course, complete equality is impossible, but each region of the Russian Federation should not feel like it is an orphan within the framework of the Russian state, but a fully vested owner. It is not right that Tatarstan and Bashkortostan should have additional rights, freedoms and economic prerogatives in relation to, say, Stavropol or Krasnodar krajs. If we all feel that we are citizens of one great state, equal before the law, the state would grow stronger and begin to prosper. Any discrimination against people or territories will strengthen centrifugal tendencies and lead to undesirable consequences.

RRR: How do you see relations between the center and the regions today?

Starodubtsev: These relations are incomplete and built on the principle: whoever "grabs (*urvet*)" is, as they say, "on top (*na kone*)." There are no clear criteria that determine the level of government support for one or another region. Bureaucrats decide everything.

RRR: What do you think of the idea of combining regions? Given that Moscow Mayor Yurii Luzhkov is a key supporter of this idea, do you think that it has a political future?

Starodubtsev: I think that there is a rational kernel here, but like any attempt to redraw the map, carrying out this idea could create considerable chaos and unpredictable events. I remember when they created agricultural production departments, uniting five raions

together, and argued that this reform was profitable. In fact, it had the opposite effect because the managers lost control and the level of responsibility in each region dropped.

RRR: How do you see the future of the Russian state?

Starodubtsev: In a weakening, dying state, which under the guise of reform is destroying itself, any kind of problem can arise, not only those connected with federal relations. Today in Russia it is necessary to win the agreement of all the people. What kind of agreement can there be between the well-fed rich and those who have no bread? We need a national idea which we can rally around as equal citizens of one state, for which we are willing to work, successfully overcome difficulties, and, if necessary, suffer for to carry out.

REGIONAL LINKS

Russian Regions on the Web: A List of Lists. Below is a list of websites that provide useful links to information sources across Russia's regions:

<http://src-home.slav.hokudai.ac.jp/eng/server-e-fr1.html>

This page, sponsored by the Slavic Research Center at Hokkaido University, provides an excellent list of links to sites in all of Russia's regions. It includes links to official administration sites, personality and regional profiles compiled by various sources, and cultural and commercial institutions.

<http://gosorgan.amursk.ru/>

This site of Russian State Agencies includes links to the official websites of Russian regional administrations and governors, as well as links to many local administrations and academic institutions.

<http://www.council.gov.ru/>

This is the official homepage of the Federation Council. It includes a list of current members as well as other information about the upper house's activities.

<http://www.lenobl.ruserservers/index.htm>

This Russian language site, maintained by the Leningrad Oblast administration, features a map of Russia by regions. Clicking on each region leads you to a page with a short but concise regional profile. Other regional resources are also available.

<http://www.nns.ru/>

This is the site of the Russian National News Service. It features news clippings, archives and a comprehensive Russian language profile library of prominent Russian political figures. Unfortunately, the information on this site is becoming increasingly out of date.

Investment Opportunities in Russia. (www.ivr.ru) The Federal Securities Commission has set up a new site that has investment information for projects across Russia.

According to press reports, the site has detailed information about 5,000 enterprises, but only a few are currently accessible. Since the project has the backing of several Siberian

governors, the site apparently will soon have extensive information on enterprises in Novosibirsk, Omsk, Tyumen, Kemerovo and Irkutsk.

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This week the RRR launches the Russian Cohesion Index which will measure Russia's progress toward democratic federalism. The index measures change from Wednesday of the previous week to Wednesday of the current week, in this case from 17 March to 24 March. The status quo of 17 March is the zero point on the scale. The scale assigns weight to the three major positive and negative events impacting federalism each week. There are no end-points because, on one hand, Russia's resource endowment and well-educated workforce make for unlimited potential, while its 30,000 nuclear weapons leave the door open for unimaginable catastrophe. For detailed discussion of these stories, please see the regular reporting in the text of the RRR.

Russian Cohesion Index: +2 (up 2)

Disintegration.....0..T.....Democratic Federalism

(T = this week; 0 = last week)

+++++ The Federation Council rejected Yeltsin's attempt to remove Procurator General Yurii Skuratov, stirring up a scandal in the Kremlin, but showing that the parliament and regional leaders can oppose arbitrary decisions by the president. (+7)

+++++ The rapid rise in oil prices following OPEC's decision to reduce output will generate more revenue for Russia at a time when it is desperately needed. Unfortunately, there is no guarantee the windfall will be used to promote reform. (+3)

+++++ Lebed effectively exited the presidential race to focus on solving the numerous problems of Krasnoyarsk Krai. With the coal dispute at least temporarily behind him, he and the federal government are cracking down on corruption in the regional energy sector. His public anger in recent months showed that he was not ready to take on the presidency. (+1)

----- Assassins tried to silence the Omsk Oblast official who handles most of the region's economic issues. The attempted murder continues a string of killings in the regions and demonstrates the increasingly deadly nature of Russian politics. (-1)

----- A devastating bomb in Vladikavkaz, the fourth attempt on Chechen President Aslan Maskhadov's life, and the on-going hostage crisis in Chechnya further highlight Moscow's inability to improve the situation in the North Caucasus. The problems are long-term, but getting worse. (-3)

----- Corruption continues to plague regional development. Reports from Tatarstan and Komi this week show major long-term problems in the oil industry. (-5)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Key News from the Regions

Patterns of Regional Development

Lebed Scores Decisive Victory in Coal Battle...

...And Changes Balance in his Staff

Bryansk Budget Headed for Disaster

Voronezh Builds Church with Communist Money

Chelyabinsk's Revival of the Urals: Success or Spent Force?

Dagestan Completes Legislative Elections

Perm's Igumnov Backs Restricted Land Law, Political Consensus

Kursk Sets Mayoral Elections

Center-Periphery Relations

Shaimiev Overestimates Value of Agreement

Corruption in the Regions

Journalists Pursue Corruption in Komi

Shaimiev Family Benefits from Tatneft Ties

Federation Council

Federation Council Defends Procurator General

View from Volgograd: Federation Council Not in Opposition to President

Interview With Volgograd Oblast Duma Speaker Viktor Pripisnov

Volgograd: A Communist-Controlled Crossroads

Foreign Ties

Dagestan Prepares for the Hajj

*****Special Supplement: Elections 1999/2000*****

The Horse Race

A Summary of Key Electoral Developments

Political Parties in the Regions

Luzhkov Holds Otechestvo Meeting in St. Petersburg

"Golos Rossii" Can Form its own Party List

Key Races

Lukin May Take on Baburin in Omsk

Regional Links: Information Sources on Russian Elections

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BREAKING NEWS

POLITICS

GOVERNORS FULLY BACK PRIMAKOV'S RETURN FROM IMF TALKS.

Virtually all regional leaders supported Prime Minister Yevgenii Primakov's decision to

turn his plane around and postpone indefinitely a visit to Washington for scheduled talks with the IMF and US officials on 23 March following NATO's decision to bomb Yugoslavia. The lone exception was Moscow Mayor Yurii Luzhkov, who emphasized the importance of IMF credits for the Russian economy. At the same time, the governors are convinced that rescheduling the Gore-Primakov Commission meeting will not influence negotiations with the IMF. Even such generally pro-Western governors as Vladimir Yakovlev of St. Petersburg exhibited anti-NATO feelings, for example when he spoke in favor of youth groups forming in St. Petersburg to send volunteers to fight for Serbia in Kosovo. Krasnoyarsk Krai Governor Aleksandr Lebed accused US President Bill Clinton of trying to impress the world in the year of NATO's 50th anniversary. Samara Oblast Governor Konstantin Titov was on the plane with Yevgenii Primakov as a part of the Russian delegation traveling to the United States to meet with the IMF leadership. In an interview with *Vremya MN* (25 March), he said that after speaking to Al Gore on the phone, Primakov came out to the ministers and governors in his delegation and asked for their advice. Everybody unanimously supported Primakov's proposal to turn around, Titov said. According to Titov, the prime minister told his team that "we cannot trade our principles." Although governors agree that Primakov's decision only strengthens his political standing, it would not result in an increase of the power of the center at the expense of regions. - Natan Shklyar in Moscow

OMSK FIRST DEPUTY GOVERNOR ATTACKED. Assassins attacked Omsk First Deputy Governor Andrei Golushko, 34, responsible for the region's financial and economic policies, in Omsk on 22 March. Golushko was wounded, but his driver did not survive. The young leader is a rising star in the region's political structure. So far the authorities have found the car and weapon used in the attack and arrested the car's former owner (*Izvestiya*, 24 March).

There are numerous possible reasons for the attack. As the regional official responsible for increasing tax collection, on 19 March he ordered the seizure of property from a local brewery and began investigating a local vodka plant. Golushko decides who can produce and trade alcohol in the region.

Additionally, he has represented the oblast in its budgetary battles with the city of Omsk. Of the taxes collected in Omsk Oblast, 92 percent come from the capital city. Yet, the oblast administration has been contributing less to the city budget in recent years. Previously 65 percent of the city's budget came from oblast revenues, now such transfers make up only 38 percent (*Moscow Times*, 3 November 1998). The Omsk mayor and Communist majority in the city soviet have opposed the oblast's cuts. Governor Leonid Polezhaev said after the shooting that the "information war has now become a real war."

Moreover, the governor has declared 1999 a year for battling against the narcotics mafia. Omsk borders on Kazakhstan, which has become a major transit point for drugs coming from Afghanistan and Pakistan. Several days before the attack, Polezhanov had proposed in the Federation Council the introduction of the death penalty for drug peddlers.

Golushko is an ardent opponent of the Communists and led the local branch of Yegor Gaidar's Russia's Democratic Choice before entering state service (*Vremya MN*, 23 March). Until 1994 he headed Aktsiya, one of the largest and most profitable private enterprises in Omsk. He became the youngest member of the regional legislature in 1994

and began working as a deputy governor in 1997 (*Kommersant Daily*, 23 March).

INGUSH DEMAND REHABILITATION. More than 50,000 people gathered in Ingushetiya's capital Nazran on 18 March to demand the implementation of Russia's law on rehabilitating repressed peoples. Republican officials authorized the rally. The gathering particularly denounced the draft of a Russian Federation policy for the North Caucasus. The draft would remove two articles discussing the restoration of territory to repressed people from the law on rehabilitation adopted by the RSFSR Supreme Soviet on 26 April 1991. Ingushetiya has territorial claims on North Osetiya since the Prigorodnoi raion, which is now part of North Osetiya, belonged to the Checheno-Ingush ASSR before the Ingush were deported in 1944. Minister of Nationality Policy Ramazan Abdulatipov believes that the Ingush leadership is making the situation worse. He said that no one in the federal government would question the propriety of the law on repressed people, but that any attempt to redraw regional borders would lead to conflict. (*Nezavisimaya gazeta*, 19 March)

PRIMORSKII KRAI SET TO OPEN REPRESENTATION IN BELARUS.

Primorskii Krai is preparing to open a representation in Belarus, following through on an agreement signed in June 1998 when Governor Yevgenii Nazdratenko visited Minsk. The plan has been finalized and must now be approved by Russia's Ministry of Foreign Affairs. The office will deal with trade, scientific, cultural, and humanitarian issues. The Minsk office is the first foreign representation for Primorskii Krai. Until now it has only had an office in Moscow. (RosBiznesKonsalting, <http://www.rbc.ru/news/free/news19990310144954.html>)

KEMEROVO LEGISLATURE BEGINS OPPOSING TULEEV. Chairman of the Kemerovo Oblast Legislative Assembly Aleksandr Filatov has begun to move into opposition to Governor Aman Tuleev, *Vremya MN* reported 23 March. Tuleev was elected governor in 1997 with an overwhelming electoral majority and Filatov has been an ally since then. The dispute began when Filatov could not muster a quorum in the legislature because the deputies closest to Tuleev did not show up. Then Filatov charged in the Federation Council that Tuleev was violating legislation regulating electoral campaigns. He pointed out that Tuleev had organized a committee of several hundred oblast bureaucrats that was allegedly organizing the elections, taking this responsibility away from the electoral commission. Elections for the oblast legislature and local governments are set for 18 April. The deputies have also pointed out that during Tuleev's tenure production in the region has dropped 12 percent. The current legislature was elected on 29 December 1996 for a two-year term and Filatov was elected chairman at the recommendation of Tuleev (http://www.fci.ru/elections/6_4_0.htm). Filatov had long been a member of Tuleev's "Popular Power" bloc. Tuleev's press service has responded by issuing a statement that Filatov owes 153,000 rubles in rent for his apartment.

ATTEMPT ON MASKHADOV. Assassins attempted to kill Chechen President Aslan Maskhadov by detonating a bomb as his car passed on 21 March in downtown Grozny, about 200 meters from his residence. Maskhadov blamed the blast on unidentified forces that seek to destabilize the situation in the North Caucasus, allowing the introduction of

martial law in Russia, and the cancellation of the up-coming elections. The bomb was similar to the one that exploded in a Vladikavkaz market on 19 March, killing 65, and the two events are likely linked (*Vremya MN*, 23 March). *Kommersant Daily* (23 March) reported that a group of Wahhabis, which could include Osama bin Laden, the terrorist accused by the US of bombing its embassies in Africa, and Khattab, a Jordanian-born field commander in Chechnya, had taken credit for the Vladikavkaz explosion.

LUZHKOV GAINS CONTROL OF OIL ... Chairman of the Central Fuel Company (TsTK) Yurii Shafranik said that the company, which is closely associated with Moscow Mayor Yurii Luzhkov, had profits of \$50 million last year (*Moscow Times*, 23 March). The city owns all of the company's stock. Shafranik said that it will soon control deposits holding 500 million tons of oil. In comparison, Sibneft has reserves of 850 million tons, while LUKoil has reserves of 1.5 billion tons (*Kommersant Daily*, 23 March). Last year, the company controlled effectively no reserves. Since its founding on 1 April 1997, the Central Fuel Company has gained control of 60 percent of the city's fuel market. This year it expects to produce one million tons of oil. It extracts oil in Udmurtiya and Tyumen Oblast. It has rights to drill in two fields in Tatarstan, owns a stake in the Caspian Sea, and is seeking deals in Sakhalin Oblast and Western Siberia. It may swap stock with LUKoil and Tatneft in the near future. Shafranik is a former Russian fuel and energy minister and former governor of Tyumen Oblast.

... TO OPEN OTECHESTVO VODKA STORES. At the initiative of Novosibirsk Governor Vitalii Mukha, Luzhkov will open a chain of Otechestvo vodka stores that will sell Otechestvo vodka produced in Novosibirsk. Otechestvo is also the name of Luzhkov's political party. Access to the Moscow liquor market for Novosibirsk distiller VINAP is a major coup because competition in the capital is fierce. The move will improve Luzhkov's popularity in Novosibirsk, where last fall rumors circulated that Moscow had bought up all of the region's meat. (*Kommersant Daily*, 23 March)

KONDRATOV LEAVES VLADIVOSTOK FOR MOSCOW. Lt. General Sergei Verevkin-Rokhalskii has taken over for Viktor Kondratov as head of the Primorskii Krai Federal Security Service (FSB) and Kondratov will now serve in Moscow in an as yet undetermined position. Kondratov had also served as Yeltsin's representative in the region, but the president removed him from that position on 23 February (see *EWI Russian Regional Report*, 25 February). Kondratov had been a strong opponent of Primorskii Krai Governor Yevgenii Nazdratenko, and his removal from both positions reflects Nazdratenko's increasing influence in Moscow. The Primorskii Krai elite always considered a Kondratov an outsider.

Verevkin-Rokhalskii headed the FSB in Sakhalin Oblast since 1993. He came to prominence in the region when Sakhalin Governor Igor Farkhutdinov ruled in 1997 that all contracts in the region had to win the approval of the FSB. Verevkin-Rokhalskii, however, calmed investors by saying that he would not examine the deals that had already been signed. (*Kommersant Daily*, 18 March)

TATARSTAN DEPUTIES RESIGN. Tatarstan will hold by-elections on 28 March for 15 (of 130) State Council seats following the resignation of the current incumbents,

Izvestiya reported on 20 March. Thirteen of the fifteen are former heads of raion administrations who had been appointed and then fired by Tatarstan President Mintimer Shaimiev. By tradition in Shaimiev's Tatarstan, such officials are elected to the republican legislature, giving the president strong influence over all branches of power in the region. There is little doubt in the republic that the new raion chiefs will win the upcoming elections.

ECONOMICS

SAKHALIN INTRODUCES ECONOMIC SECURITY COUNCIL. Sakhalin Oblast Governor Igor Farkhutdinov has suggested establishing an Economic Security Council that will include all of the region's security agencies. The body will monitor the situation in the oblast's fishing, coal, forestry, and oil sectors and determine means to improve the economic situation. One of the first steps of the group will be to crack down on local fishermen who do not report or pay taxes on the actual size of their catches. The fishing sector paid 115 million rubles in taxes last year and oblast officials think that the number should be at least twice as large. (*Nezavisimaya gazeta*, 23 March)

MURMANSK, LUKOIL SIGN AGREEMENT. Murmansk Governor Yurii Yevdokimov and LUKoil President Vagit Alekperov signed a cooperation agreement on 16 March. Murmansk will become a base region for LUKoil and Gazprom's exploration of the Barents Sea. LUKoil will now accept veksel and barter, in addition to money, for the oil it provides to the region. In exchange, Murmansk Oblast will give the oil company land on which to build five gas stations. (*Vremya MN*, 17 March)

MOSCOW PREPARES 2 PERCENT SALES TAX. The Moscow City Duma gave preliminary approval to the introduction of a 2 percent sales tax in the city on 17 March. The body must pass another law on implementing the tax and the mayor must sign off on it for it to go into effect. More than 40 regions have introduced sales taxes, usually at 5 percent, the maximum allowed by federal legislation (*Kommersant Daily*, 18 March). The tax has been blamed for price increases up to 35 percent in those areas.

Nevertheless, Moscow Mayor Yurii Luzhkov will likely oppose the tax because he wants a 5 percent levy to fill city coffers (*Moscow Times*, 20 March). Luzhkov had not wanted to impose the tax, considering his run for the presidency, but now the city's difficult economic situation make it necessary. Kemerovo's procurator has already had the tax in the region rescinded because according to federal law no new taxes can go into effect before 1 January, the beginning of the calendar year (see *EWI Russian Regional Report*, 18 March). Moscow's tax thus also could not be implemented until next year.

PATTERNS OF REGIONAL DEVELOPMENT

LEBED SCORES DECISIVE VICTORY IN COAL BATTLE... Last week Krasnoyarsk Governor Aleksandr Lebed won a decisive victory in the "coal scandal" that has rocked the krai for several months. The main issue in the dispute was the bankruptcy procedure and attempted privatization of the Krasnoyarsk Coal Company. Now the Fund for Gubernatorial Programs has given the coal company the 72 million rubles it needs to

pay back its debts to Russia's electricity monopoly Unified Energy System (EES). The monopoly had held stock worth 300 million in the coal company's valuable mines as collateral for the debt. Additionally, the coal company's board of directors unanimously elected Vladimir Bondarenko, a Lebed ally, as the new general director. During the last several months, four different men were appointed director of the company (including Bondarenko one time), but all were removed by the courts. The first director, Sergei Opanasenko, was arrested in Moscow on 18 March for abusing his office. In securing this victory, Lebed had the backing of Prime Minister Yevgenii Primakov and Fuel and Energy Minister Sergei Generalov. Nevertheless, Generalov warned that if the coal company is not able to generate serious investment in the next two years, it will have to be privatized anyway since otherwise it will have no future.

During its height, the scandal drew considerable international attention as Lebed appeared on television cursing and broke with one of his allies, Anatolii Bykov, the chairman of the board of directors of the Krasnoyarsk Aluminum Factory (KrAZ). Lebed's victory now prevents Bykov from gaining control of the region's energy supply, which he had hoped to grab in order to make his aluminum plant more profitable. It looks like Bykov will have even greater difficulties now. On 24 March, the krai procurator announced that he was filing criminal charges against Krasenergo and KrAZ because the electricity supplier gave electricity to the aluminum factory at rates that were too low. The procurator accused the two of violating federal pricing standards. A KrAZ spokesman immediately said that all prices were based on two-sided equal relations between Krasenergo and KrAZ and that the krai energy commission set the rates.

...AND CHANGES BALANCE IN HIS STAFF. One of the main consequences of the scandal has been the rapid diminution of Lebed's chances to win the presidency in 2000 and now he is setting his sights on 2004, hoping to bolster his reputation by serving as an effective leader of Krasnoyarsk Krai. One consequence of Lebed's new strategy has been a change in the balance of power within his staff. Despite the constant turnover among the members of the staff, the "Moscow Group" used to hold preeminence. This team was focused on confrontation with the federal government and securing early presidential elections. The Moscow group was fine for presidential candidate Lebed, but not for "Governor-Father" Lebed. Now he must rely much more on representatives of the local elite. Thus, it is no surprise that Lebed has included among his staff not only local Communists, but such experienced bureaucrats as Yevgenii Vasilev and Nadezhda Kolba.

Now it appears that Lebed will replace First Deputy Governor Vladimir Ovchinnikov with Sergei Bykov (who is not related to KrAZ Director Anatolii Bykov). Bykov worked for two years as a deputy to Krasnoyarsk Mayor Petr Pimashkov, has good relations with all the financial-industrial groups in the krai, and has worked as the deputy director of a large factory that has successfully made the transition to the market. Pimashkov apparently fired Bykov because he feared that he was becoming a potent rival for the mayor's seat. Bykov's appointment would be a substantial gain for the krai's leadership. - Pavel Avramov in Krasnoyarsk

BRYANSK BUDGET HEADED FOR DISASTER. The Bryansk Oblast Duma finally adopted the region's 1999 budget. Yet, as many deputies have pointed out, it does not guarantee anything to anyone. The budget provides for revenue of 984 million rubles and

expenses of nearly 1.1 billion rubles, creating a deficit of 11 percent. Compared to last year's budget, which had a nearly 30 percent planned deficit, the 1999 budget seems to be an improvement. But the gain is only superficial since the level of revenue actually collected is a third less than planned.

Oblast Duma Deputy Vladimir Tatarinov called the budget "a complete failure," which does not resolve the issue of wage arrears in the public sector or the oblast's energy problems. First of all, the budget does not take into consideration the federal mandated wage increase of 181 percent effective on 1 April. According to Duma Chairman Stepan Ponasov, this means that salary delays can be expected by the end of the year. He said that it would be possible to hold off raises until May or June, but this alone will not solve the problem. Tatarinov believes that wage delays to teachers and doctors could reach three or four months. In any case, Bryansk will be awash with strikes by autumn.

Tatarinov believes that strikes will not be limited to public sector employees, but will also include workers from enterprises subsidized by the budget. Such enterprises have accumulated enormous debts to energy providers. Last year Unified Energy System (EES) introduced a new practice by which it would take the sum the oblast had paid for a given month and provide that amount's worth of power for the following month. The result will inevitably be continuous power outages since the oblast cannot pay for the power it needs. Gas providers threatened to take similar actions. No one knows how to settle the debts, which carry over from year to year and continue to grow. Governor Yurii Lodkin is trying to convince EES that it cannot shut down the oblast's electricity supply, citing the Chernobyl accident as an example of what could happen if such outages persist. Yet, Lodkin's pleas have fallen on deaf ears. The energy providers claim that they cannot continue to credit Bryansk without being paid. Therefore, EES will continue power shut downs this year.

Another reason for discontent among the oblast's residents is that the budget is unable to provide back payments of children's benefits. Most parents have not seen these payments for up to two years. - Nikolai Gorelov in Bryansk

VORONEZH BUILDS CHURCH WITH COMMUNIST MONEY. Last fall when Russian Orthodox Church Patriarch Aleksei II visited Voronezh, the foundations for a new Cathedral of Annunciation were laid in Pervomaiski Square in the center of the city. Despite the financial crisis, the cathedral is being built quickly, prompting locals to ask where the church obtained financing for such a costly project. The newspaper *Novaya Gazeta vo Voronezhe* claims that the money is coming from the local Communists who control the oblast administration. On 31 December 1998, Governor Ivan Shabanov signed a decree ordering some of the oblast's largest enterprises to transfer their arrears to the Voronezh diocese. The South-Eastern Railroad Company was directed to give the church three million rubles, and Voronezhenergo and Voronezhoblgaz, two million rubles each. Thus the Voronezh diocese received seven million rubles for the new building, while teachers must strike to win their salaries. - Andrei Muchnik in Voronezh

CHELYABINSK'S REVIVAL OF THE URALS: SUCCESS OR SPENT FORCE? 12 March marked the fifth anniversary of the Revival of the Urals movement. Since the movement's leader, Petr Sumin, was elected governor of Chelyabinsk Oblast in 1996, the

Revival of the Urals has been the region's ruling party. However, opinions differ on the success of the movement's reign.

Revival of the Urals' Executive Director Valerii Sudarikov asserts that the movement is addressing the region's economic, social, industrial, and spiritual problems and improving the population's living conditions. Additionally, Sudarikov emphasized, the movement serves to unite those who do not agree with the federal government's anti-people reforms. He claims that Revival of the Urals presently brings together more than 100,000 members from over 30 political parties, public organizations, and work collectives. It has representatives in the State Duma and the Chelyabinsk Oblast Legislative Assembly. Sudarikov feels that Sumin has been successful as governor of Chelyabinsk, citing accomplishments such as providing support for the region's rural areas, establishing a program for providing gas to the region, and signing a power-sharing agreement with Moscow.

Nevertheless, political analyst Konstantin Zharinov feels that the movement's resources are nearly drained and prospects for the Revival of the Urals are not very promising. He feels that the movement has unrealistic goals and overestimates its organizational potential and the oblast's resources. In particular, he believes that the movement's leaders are unable to adopt effective economic policies, waste public funds, and contribute to delays in pensions and wages. Zharinov also feels that the movement is moving leftward. On the local level it works with the small parties that align with Communist Party leader Gennadii Zyuganov at the federal level. Additionally, the Revival of the Urals attracts traditionally leftist supporters such as pensioners, collective farmers, and other pro-Communist groups. Zharinov feels that the movement reached its peak in the mid-1990s and is gradually losing its position in the region. - Igor Stepanov in Sverdlovsk

DAGESTAN COMPLETES LEGISLATIVE ELECTIONS. On 21 March Dagestan elected an additional 36 deputies to its legislature in runoff elections, filling 117 of the 121 seats (for an analysis of the first round, see *EWI Russian Regional Report*, 11 March). Turnout was 68.8 percent. Four districts will hold repeat elections in three months. The first session of the new legislature will meet next month. As was already clear after the first round, the party of power was the main winner.

In several mountainous and poor regions of the republic, turnout was over 90 percent and even reached 96-98 percent in some areas. Such turnouts are impossible to explain except as local administration forcing people to vote or candidates spending huge sums to buy votes. Observers claim that a vote usually cost 100-300 rubles in the first round, but went up to 300-500 rubles in the second. These purchases did not affect the single-member districts where ethnic Russians were running. Russians have no real political influence in Dagestan now and there was little competition in these districts.

Of the 117 parliamentarians elected so far, only four are women. Hazy rules on whether it was legal for urban and rural mayors to participate allowed 15 of them to win seats. Forty-four incumbents won as well. Eight of the new deputies have criminal records.

Several losing candidates have announced that they will sue for new elections. One major election violation was that only ballots where voters marked their choice with a check (*galochka*) or plus were deemed valid. Russian law says any mark is acceptable.

The Dagestani authorities used this procedure to deprive candidates who had allegedly bought votes and told the voters to use a special mark on the ballot to indicate that they had followed through. All ballots that did not have a check or plus were deemed invalid. This procedure will be at the heart of many of the cases.

Several central media, such as *Novaya gazeta*, have judged these elections just, legal, and civilized. However, the situation on the ground does not look so clear. That fact that no one was killed and that there were no armed conflicts between opposing groups, as has happened in past elections, is a sign of success, but a rather weak one. - Nabi Abdullaev

PERM'S IGUMNOV BACKS RESTRICTED LAND LAW, POLITICAL CONSENSUS. Perm Governor Gennadii Igumnov told a 15 March Moscow press conference that his region was about to adopt a land law, but that it would be different from those approved in other regions because it would block speculative deals by preventing the sale of land to foreigners and companies with foreign capital. He said that he has a strong working majority of 24 legislators in the 40-seat oblast Legislative Assembly. Although Igumnov remains a member of former Prime Minister Viktor Chernomyrdin's Our Home is Russia, he claims that he does not show any preference to this party since doing so would lead the region's other parties to oppose it. He said that he meets with the leaders of all regional parties twice a year and seeks their advice on various important issues. - Aleksei Pyatkovskii in Moscow

KURSK SETS MAYORAL ELECTIONS. For two years Kursk politicians have been battling over the adoption of the city's charter, meaning the city had no basic law. The main dispute was over the combination of two posts, mayor and chairman of the City Assembly. The Communist opposition led by Yurii Maiorov inside the City Assembly opposed such a merger. When the deputies were finally able to reach an agreement, the Justice Administration refused to register the charter, citing numerous problems, and sent it back for further consideration.

Mayor Sergei Maltsev was seriously concerned that if the charter was not adopted, Kursk would repeat the situation in Vladivostok, where the governor has simply appointed the mayor. So the charter was quickly adopted and the assembly set the elections for 6 June. Now the campaign season is already under way. - Sergey Sarychev in Kursk

CENTER-PERIPHERY RELATIONS

SHAIMIEV OVERESTIMATES VALUE OF AGREEMENT. Tatarstan President Minitimer Shaimiev has presented his recent agreement with Russian Prime Minister Yevgenii Primakov as a victory, but he has greatly exaggerated the value of the deal he has reached so far. On 17 March he and the prime minister signed a framework agreement on prolonging for five years the agreement "On Budgetary Relations" signed as part of the 1994 power-sharing treaty. The 1994 agreement gave Tatarstan a number of lucrative concessions in tax-sharing between the republic and federation that were not extended to other regions.

The pro-government newspaper *Vremya i dengi* claimed in a headline that "The Fate of the Inter-budgetary agreement has been resolved." However, in reality, the situation is quite different.

The agreement, which was in effect until 15 February 1999, was not extended in its current form. Shaimiev himself pointed out that the meeting with Primakov was just one in a series of steps. So far the two sides have only signed a framework agreement. This document simply states that the federal government believes that the inter-budgetary agreement should be extended, but that the actual numbers still need to be determined. Shaimiev said that the work would continue and that it was impossible to find answers to all questions right away. Making optimistic statements to the local press is a tactic commonly used by negotiators who do not want to make concessions.

The federal government and Tatarstan also reached an agreement about the giant truckmaker KamAZ, but it is of greater political than economic significance because restructuring the plant's debts depends more on its western creditors than the Russian government. Shaimiev acknowledged this interpretation of the agreement when he said, "we had to show the western creditors that the Russian government is no less concerned about KamAZ than the Tatarstan government. " - Midkhat Faroukshine in Kazan

CORRUPTION IN THE REGIONS

JOURNALISTS PURSUE CORRUPTION IN KOMI. Following February's State Duma hearings on corruption in Komi, the local newspaper *Molodozh severa* has continued publishing a series of articles based on its own investigations. Corruption in Komi is not simply a matter of taking bribes or theft. Crooked officials use much more sophisticated means.

In 1992, several local businessmen and high-placed officials decided to create a company abroad which could eventually be turned into a bank. The company's founders said that it would be useful in winning cheap credits to boost the republican economy. With the approval of the Central Bank, Yurii Spiridonov, now Komi's executive but then the chairman of the republican Supreme Soviet, authorized Komineft General Director Valentin Leonidov to sell 100,000 tons of oil in the west and transfer the proceeds to the company. The Danish company Dong bought the oil and a company called Komidan was set up in Luxembourg to receive the funds. Ultimately, a new company called Komilyuks received more than \$10 million. The Dane Byarne Bidsted served as Komilyuks's chairman. However, instead of investing this money, the company bought Saab and Mercedes cars, expensive Cartier watches, apartments, and other luxury items. It is not clear who actually benefited from the money, but it all quickly disappeared (*Molodezh severa*, 25 February).

In general, corruption in Komi is connected to the oil industry because it provides the main source of income from foreign trade. Taxes on oil sales make up 40 percent of the republic and local budgets. With the support of the republican authorities in 1991-1994, Komineft General Director Leonidov created several joint ventures which were supposed to revive several old fields. Komineft gave these ventures the most lucrative oil deposits. The partners chosen for these projects were generally of suspicious character. Beyond the oil ventures, a variety of other companies were established, including a firm to make doors in Holland and Komi Investment & Trade Ltd. in London. Corrupt

officials used these firms to transfer money to the west. Then these companies simply disappeared. Leonidov, for example, now lives very well in Austria. Other forms of corruption include the misuse of funds allocated to the republican road fund, buying low-quality grain for high prices, and the distribution of luxury apartments to state bureaucrats by the republican leadership while using low-priced bank loans (*Molodozh severa*, 4 March).

All of these cases reflect the low level of morality among the authorities. The main cause of the problem is that the executive branch is not countered by either the judicial or legislative branches of government. The "party of power" controls the parliament and takes the necessary steps to maintain this control. The unity of the branches creates fertile ground for corruption. The political culture of the population is too low to realize the danger when local authorities close ranks with republican authorities and take control of the parliament. With the level of press freedom in Russia today, it is impossible to hide corruption. However, the guilty parties are rarely punished because the judicial system is too weak and federal and local leaders lack the political will to really crack down on corruption. High-level corruption naturally drains away this will. It will be possible to draw conclusions about the real extent of corruption in the republic only after a thorough investigation by the Russian procurator general. - Yuri Shabaev in Syktyvkar

SHAIMIEV FAMILY BENEFITS FROM TATNEFT TIES. The family of Tatarstan President Mintimer Shaimiev benefits from close ties to the republic's oil producing monopoly, Tatneft, according to a recent article by *Nezavisimaya gazeta* journalist Vera Postnova that was published in *Vechernaya Kazan* on 19 March. The connection works through a firm called Tatar-American Investments and Finances (TAIF), whose board of directors is chaired by the president's youngest son, Radik Shaimiev. Its yearly turnover is 1 billion dollars, the same as the Krasnoyarsk Aluminum Factory's.

On 17 October 1996, the Tatarstan Cabinet of Ministers adopted a decree giving TAIF the right to buy at an agreed upon price one million tons of unprocessed oil from Tatneft in 1996. Half of the oil the company had to export to the former republics of the USSR and the other half it had to sell to Russian regions. Additionally, this decree freed Tatneft and TAIF from paying taxes to several state non-budgetary funds and the part of the value-added tax set aside for the republic.

Only one person opposed this arrangement, republican Finance Minister Dmitrii Nagumanov. He was soon replaced by Rustav Minnekhanov, the former head of an agricultural region and a close Shaimiev ally. The new minister then proposed making the transfer of oil an on-going deal rather than just a one-shot proposition. Thus TAIF gained access to the republic's oil supply.

When Minnekhanov became Tatarstani prime minister a year later, he issued a decree which forced Tatneft to sell raw oil to the Finance Ministry for 350 rubles a ton at a time when Shaimiev was complaining that the price of oil was too low at 500-600 rubles a ton. The ministry then sells the oil through the Nizhnekamskneftekhim company of TAIF for 300 rubles a ton. Nizhnekamskneftekhim turns the oil into gasoline, diesel fuel, and fuel oil. The republic then buys back the fuel oil to meet its needs at the price of 50 rubles a ton, taking money from the "other expenses" line of the republican budget. This is how the TAIF leaders enrich themselves.

According to an unidentified high-level official in the republic, such a decree could not have appeared without Shaimiev's support. Shaimiev's son is a member of Tatneft's board of directors and owns 5 percent of the company. His nephew, I. Fardiev, is the mayor of the oil-producing town of Almetevski, works in Tatneft's management, and is rumored to be its next general director. Other members of Tatneft's management include the chairman of Tatarstan's State Property Committee, Damir Bikbov, Prime Minister Minnekhanov, Deputy Prime Minister and Economics Minister Rinat Gubaidullin, and TAIF Director Albert Shigabutdinov, an ally of Shaimiev and Minnekhanov. Shigabutdinov has said that the "oil belongs not to the people of Tatarstan, but Tatneft's shareholders."

"At one time Tatarstani nationalists shouted at street demonstrations that if there were no Russia, Tatarstan would live like Kuwait," Postnova wrote. "However, Russia has nothing to do with it. If there were no companies like TAIF..." Unfortunately, the example of Tatarstan is not unique among Russian regions. - Midkhat Faroukshine in Kazan

FEDERATION COUNCIL

FEDERATION COUNCIL DEFENDS PROCURATOR GENERAL

By Olga Komarova

MOSCOW - On 17 March the Federation Council caused a sensation by rejecting the resignation of General Procurator Yurii Skuratov, ignoring President Boris Yeltsin's recommendation to accept it. In the beginning of February the procurator handed his resignation to Yeltsin citing his deteriorating health and an excessive increase in his work load, and then entered a hospital. Yeltsin accepted Skuratov's request and passed it on to the Federation Council, which has the constitutional right to appoint and dismiss the procurator. At the Council's February session the members announced that they could only make a decision on the resignation following the procurator's testimony and ascertaining whether his decision to resign was coerced (see *Russian Regional Report*, 25 February 1999).

The Federation Council's refusal to accept Skuratov's resignation by a vote of 142-6 demonstrates its increasing independence. Two years ago the governors supported the majority of the president's initiatives, but now they express their own opinion, even if it will lead to open confrontation. Regional leaders want their opinion taken into consideration regarding such important issues. Because of a well thought out approach, the senators were able to defend their action.

Prior to the upper body's session, many governors announced that they planned to confirm Skuratov's resignation as Yeltsin had recommended. The Federation Council's Committee on Law and Order even issued an additional recommendation along these lines. At the same time, rumors spread throughout the media about the existence of compromising videotapes of Skuratov. It seemed that Skuratov's resignation had already been decided. However, at the council session, nearly all of the members stated that Skuratov needed to remain in his post to continue his active involvement in fighting

crime. Law and Order Committee Chairman Sergei Sobyenin did not even refer to the committee's earlier recommendation to accept the resignation.

It seems that the governors had intended to support the procurator beforehand, but did not speak about it openly. Regional leaders wanted to avoid a flood of compromising material discrediting the procurator that could give ammunition to his opposition. In particular they were concerned about the distribution of a videoshooting the procurator in compromising circumstances. Broadcast of these tapes before the vote could have turned public opinion against Skuratov and disrupted the senators' plans. In the event, Russian Television broadcast the video of Skuratov in bed with two women on the evening following the Federation Council vote.

The procurator's strong presentation before the Federation Council played a key role in his success. He described his office as the country's most important bulwark of order and praised the senators for acting to increase the level of legality. The speech helped Skuratov win hesitant senators over to his side. Moscow City Duma Chairman Vladimir Platov stated, "Now, having heard the procurator's presentation, I am only able to vote against the president's recommendation."

The senators were nearly unanimous in their praise, demonstrating that by voting in support of Skuratov, they were speaking in favor of the law. Tula Governor Viktor Starodubtsev commented, "The procurator is one of the pillars of state power in Russia, you cannot go easy on people you catch plundering the country. You need to state firmly that you will be the general procurator and that you will fight those who are destroying Russia."

According to Moscow Mayor Yurii Luzhkov, the governors knew that the vote was either in favor of more crime or a crackdown backed by the procurator. Furthermore, according to Luzhkov, the senators had to reject the resignation to set a precedent so that future officials would not be blackmailed out of their offices.

President Yeltsin met with Skuratov the following day and did not express any open conflict with the senators. Yet, this does not mean that the president intends to yield to the upper chamber all the time. Undoubtedly he will launch a new attack in the near future. But for now the senators can celebrate their victory.

VIEW FROM VOLGOGRAD: FEDERATION COUNCIL NOT IN OPPOSITION TO PRESIDENT. After the Federation Council vote, RRR Volgograd Correspondent Ivan Kurilla interviewed Volgograd Oblast Duma Speaker and Federation Council member Viktor Pripisnov. Pripisnov said, "I don't think that the Federation Council put itself in opposition to the president. More accurately, it is possible to say that the president did not take into account the mood of the Federation Council members. By not making a decision on the issue on 17 February, the Federation Council gave the president time. During this past month, it would have been possible to review all the material, create a commission, but that has only been done now.

"I think that the Federation Council made this decision based on a desire to support the procurator's battle against corruption. There are earlier examples when the Federation Council refused to support one of the president's decisions, but these did not elicit attempts to pose the president and Federation Council against each other. There are procedures and commissions for reaching agreement and they are working even now."

INTERVIEW WITH VOLGOGRAD OBLAST DUMA SPEAKER VIKTOR PRIPISNOV

VOLGOGRAD: A COMMUNIST-CONTROLLED CROSSROADS

RRR Correspondent in Volgograd Ivan Kurilla recently conducted an interview with Volgograd Oblast Duma Speaker Viktor Pripisnov. His moderate views on refugees and other problems likely stem from his own experiences as a refugee from Tajikistan (see *EWI Russian Regional Report*, 18 February).

RRR: What is Volgograd's role as one of Russia's border regions?

Viktor Pripisnov: Volgograd and Volgograd Oblast are a unique historic crossroads. Cities and regions that function as crossroads always have an interesting life. Population movements from the north, Caucasus, Ukraine and Central Asia meet here, making Volgograd a multi-national region. Volgograd is also very attractive. People from the Caucasus and Central Asia stay here because it has a similar climate to what they are used to and because there are historic ties. ... There is nothing to do about this situation, it's simply reality. The problem is to give all these people a place to work.

The problem of refugees is one for Russia, not just Volgograd. Everywhere the problems are the same: housing, housing permits, and work. ... As for drugs, wherever there is transportation, there may be drug flows. We simply have to deal with it.

RRR: As a result of the last elections, members of the Communist Party of the Russian Federation now stand at the head of both branches of the oblast government. What are your relations with Governor Nikolai Maksyuta and Volgograd Communist Party leader Alevtina Viktorovna Aparina?

Pripisnov: The elections that took place on 13 December 1998 radically changed the situation in the oblast and city. I think it is good that Nikolai Kirillovich Maksyuta is a Communist and the Communist faction in the Oblast Duma is now larger. Communists now make up two thirds of the legislature. This makes it possible to solve the oblast's problems and offers opportunities for cooperation. It's no secret that there had been friction between the governor and previous duma leadership. Nikolai Kirillovich and I have regular meetings, and regularly discuss problems. I also have frequent meetings with Alevtina Viktorovna Aparina. I would say that they are comradely meetings, and they provide the opportunity to solve some problems. Most importantly, I think that we should say that these elections raised the level of responsibility. Since there are more Communists in the Oblast Duma, we have taken more responsibility on ourselves. ...

I have met with the mayor [who opposes the Communists] and the chairman of the city council, just the three of us, and also with Maksyuta. I believe that we should work together. Each person has his own opinion and point of view, but we have to remember that we all live in Volgograd oblast ...

FOREIGN TIES

DAGESTAN PREPARES FOR THE HAJJ

By Nabi Abdullaev

Saudi Arabia has given Russia's more than 20 million Muslims a quota of 20 thousand slots for the annual hajj to Mecca this year. Of these 20 thousand pilgrims, 14 thousand will come from Dagestan. Last year 13,600 of the republic's Muslims made the pilgrimage, but this year half as many Dagestanis will go due to the financial crisis and the drop in the value of the ruble.

Organizing the hajj is the main source of income for the Spiritual Board of Dagestani Muslims (DUMD), which oversees the religious activity of traditional Muslims (*tarikatis*) in the republic. For organizing the hajj, the DUMD earns \$2-3 million. In fact, many suspect that the death of former DUMD head, Said-Muhammad Abubakarov, in August last year involved others wishing to gain control of this money (see *EWI Russian Regional Report*, 27 August 1998).

In addition to bringing down the number of people making the pilgrimage, the financial crisis has had other consequences for the hajj this year. Airline tickets costing \$1,050 are out of reach for most participants who now prefer to use ground transport to get to Mecca. The cost of the trip fluctuates between \$100-200 depending on the level of comfort purchased. Participants travel in cars and buses as well as in specially-equipped KamAZ trucks.

Those making the pilgrimage pass through Iran, Turkey, and Syria, where there is a serious threat of being infected with cholera and malaria. A massive cholera epidemic that spread through Dagestan in 1995 was brought to the region from pilgrims returning from Mecca. Every year since then there has been a flare up of local cases following the return from the hajj, but thus far they have been handled successfully. This year the Dagestan public health bureau has instituted strict requirements for travelers. All automobiles need to go through a sanitary inspection to win a special health-certification passport.

Furthermore, each person making the pilgrimage must carry a vaccination certificate in English, French, and Arabic verifying that he has been immunized against dysentery and meningitis no less than 10 days prior to traveling to Saudi Arabia. At least three medical crews will accompany pilgrims.

The hajj begins on 28-29 March. By then all pilgrims should be in Saudi Arabia. As the date draws nearer there has been an increase in the number of vehicles with pilgrims at border points between Russia and Azerbaijan. Border posts do not have the capacity to handle the 200-220 automobiles arriving each day, causing long lines. On one day, pilgrims made about 20 attempts to cross into Azerbaijan bypassing the border control station. The situation is complicated by the need to examine the large loads of goods pilgrims hope to sell in Saudi Arabia. Russian optical instruments and Dagestani honey are among the most popular wares.

Last year there were several armed clashes between pilgrims returning from Saudi Arabia and Dagestani customs officials. Many of the travelers did not want to pay customs duties on the goods they were bringing in to the republic. The goods in question were primarily audio and video equipment, groceries, and spare parts for foreign-made products. This year, judging by the empty trailers on the pilgrims' automobiles, work for customs agents will be on the rise through the end of the hajj.

Saudi Arabian law forbids pilgrims from importing alcohol and goods for sale. The systematic violation of these restrictions by pilgrims from the North Caucasus prompted Saudi Arabia to introduce a new law on 1 February applying only to North Caucasian pilgrims. It states that for legal violations and conflicts with local authorities, North Caucasian pilgrims are subject to a half-year prison sentence or a fine of up to \$30,000.

However, developments involving Dagestani Muslims' pilgrimage to Mecca this year are not all repressive. The government of Saudi Arabia repealed a mandatory \$135 deposit guaranteeing that all pilgrims return to their homelands and agreed to pay for one flight from Dagestan to Saudi Arabia.

*******SPECIAL SUPPLEMENT: ELECTIONS 1999/2000*******

THE HORSE RACE

NAZDRATENKO TRIES TO REDUCE INFLUENCE OF OTECHESTVO IN PRIMORSKII KRAI. Primorskii Krai Governor Yevgenii Nazdratenko is trying to reduce the influence of Luzhkov's Otechestvo in Primorskii Krai, *Izvestiya* reported on 24 March. When Luzhkov launched his party last year, several Vladivostok area groups began competing for the right to be the local representative (see *EWI Russian Regional Report*, 4 February). Among these competing groups, Luzhkov chose the one headed by the chairman of the krai дума, Sergei Dudnik, who is critical of Nazdratenko. To counter the influence of Dudnik and his Moscow ally, the Otechestvo branch headed by pro-Nazdratenko acting Vladivostok Mayor Yurii Kopylov announced that five party raion leaders were leaving the organization led by Dudnik in favor of his. Kopylov's Otechestvo branch does not have Luzhkov's authorization. The party leaders claimed that Dudnik's main goal was merely to oppose the krai's executive authorities and the city of Vladivostok. With the replacement of Viktor Kondratov as President Yeltsin's representative in the region and the head of the local Federal Security Service (FSB), Dudnik is the only prominent regional politician currently in opposition to Nazdratenko.

TITOV BLOC GROWS. Astrkhan Governor Anatolii Guzhvin and Yamal-Nenets Governor Yurii Neelov have joined Samara Governor Konstantin Titov's regional electoral bloc *Golos Rossii*, *Nezavisimaya gazeta* reported on 20 March. (For a full list of the governors in the movement, see *EWI Russian Regional Report*, 25 February)

POLITICAL PARTIES IN THE REGIONS

LUZHKOV HOLDS OTECHESTVO MEETING IN ST. PETERSBURG. Moscow Mayor Yurii Luzhkov held the first conference of the St. Petersburg branch of Otechestvo in the northern capital on 20 March. St. Petersburg's political elite is largely indifferent to the party and only Governor Vladimir Yakovlev enthusiastically welcomed the conference. Most of the other local members of the party are relatively unknown in the city. Luzhkov offered all parties and movements an agreement on consolidation in the political sphere and against extremism. Yabloko, among the most influential parties in the city, was not eager to accept the agreement. Igor Artemev, the leader of St. Petersburg's

Yabloko who recently resigned from Yakovlev's administration and has become one of his most vocal critics, said that the party did not receive any concrete proposals from Luzhkov. He said that his party was actively monitoring Otechestvo's activities in the city and that they were concerned that several local Otechestvo leaders were using rhetoric similar to the Communists'.

Only Yakovlev expressed his strong support. In return, Luzhkov said that Moscow would participate in the celebration of St. Petersburg's 300th anniversary (in 2003). He also promised to give the city a sculpture, by an as yet unnamed sculptor.

The head of the Peterburgskie raiony faction in the city's Legislative Assembly, Viktor Novoselov, said that "Otechestvo is the party of power and it should take the place of Our Home is Russia." He suggested that one likely consequence of Otechestvo's appearance in the city was the formation of yet another faction in the city legislature.

The party currently claims 1,000 members in the city and has raion branches in 20 of the city's 110 raions. - Marina Makova in St. Petersburg

"GOLOS ROSSII" CAN FORM ITS OWN PARTY LIST. Samara Governor Konstantin Titov's electoral bloc "Golos Rossii" was formed after the December 1998 deadline and therefore does not have the right to participate on its own in the party list portion of the December 1999 State Duma elections. However, Titov's bloc has found a way around this hurdle by including among its members a bloc that was registered in time. Last week the Political Council of Russia - A Presidential Republic (RPR) decided to place the question of joining Titov's bloc on the agenda of its 17 April congress. Titov has been invited to the congress as an honored guest and there is no doubt that the party will approve the measure.

Several other parties are likely to join Titov's bloc, including the movement Development of Entrepreneurship, the Democratic Party, and several women's movements, but RPR is the only one currently actively cooperating with Titov. RPR was founded in Samara in 1996 specifically to help President Boris Yeltsin's campaign. Although it was only active in several Volga regions, it was registered as a national party. RPR was essentially dormant after the 1996 elections, but revived its activities in Autumn 1998. An alliance with RPR does not give Titov much additional support, but the party does have branches in more than 20 regions and these may become headquarters for Golos Rossii. Samara Oblast's RPR is already helping Golos Rossii. Togliatti City Duma Chairman Aleksandr Drobotov and several prominent businessmen founded a RPR branch in Togliatti on 11 March with the stipulation that the movement would cooperate with Titov.

The informal leader of the RPR, Presidential Representative in Samara Oblast Yurii Borodulin, confirmed these steps in an interview with the RRR. He said that the alliance of the RPR and Golos Rossii made sense because the two organizations have the same ideology. Strengthening presidential power (the RPR's main goal), is possible only through strengthening the powers of the regions, he argued.

When asked if his support for Titov's bloc meant that the federal authorities also supported the bloc, Borodulin said that the president would hardly support Titov's bloc, although in principle the activities of the association appealed to him. "The president would definitely like to see different people in the State Duma," Borodulin said. - Andrei Perla in Samara

KEY RACES

LUKIN MAY TAKE ON BABURIN IN OMSK. State Duma Member Vladimir Lukin, the number two man in the Yabloko party after Grigorii Yavlinskii, may take on incumbent and State Duma Deputy Speaker Sergei Baburin in Omsk's electoral district number 130, *Omskii vestnik* reported 11 March. Baburin is known for his outspoken Russian nationalist views and support for the Serbs, while Lukin, a former ambassador to the USA, has stressed that Russia "has invested too much into this problem (*New York Times*, 23 March)," referring to Yugoslavia. Lukin was born in Omsk and would have a good chance to win in a potential race. Competing against Baburin would pose little risk for Lukin. Even if he lost the race in the single-member district, he would likely enter the Duma on the Yabloko party list. Baburin does not have such an option. In 1995, his Power to the People bloc did not reach the five percent barrier and would be unlikely to do so this time around. - Valerii Chukhlomin in Omsk

REGIONAL LINKS: INFORMATION SOURCES ON RUSSIAN ELECTIONS

<http://www.fci.ru/>

This is the site of the Central Electoral Commission of the Russian Federation, providing detailed information on federal and regional elections and referendums, as well as texts of the Russian Constitution, federal laws, presidential decrees, and Constitutional Court decisions.

<http://www.elections.ru/>

This site has a catalogue of discussions on the Russian Duma, elections, and other important Russian political issues.

<http://www.elections.spb.ru/>

This site features information on elections involving St. Petersburg and Leningrad Oblast, including details on the upcoming election for governor of Leningrad Oblast and the recent elections for the St. Petersburg Legislative Assembly.

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Russian Cohesion Index: +1 (down 1 this week)

Disintegration.....0.T.L.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

+++++ Volzhskii Mayor Anatolii Shiryayev staged an impressive comeback in Volgograd Oblast's second largest city over the last year, improving the city budget and increasing his own popularity by cutting taxes on local enterprises. (+1)

+++++ Gen. Andrei Nikolaev's Union of Popular Power did surprisingly well in Dagestan's recent legislative elections. Now he will try to help Dagestani leaders build contacts with Moscow, breaking the exclusive grip of State Council Chairman Magomedali Magomedov. (+1)

+++++ Many St. Petersburg banks posted profits for 1998. While Moscow remains the country's financial center by a large margin, analysts now see the gap between Moscow and St. Petersburg as closing. Any steps to reduce Moscow's excessive dominance over the other 88 regions will improve interregional relations. (+2)

----- While many ethnic Russians denounced the NATO bombings of Yugoslavia, the country's Muslim population was less willing to support Milosevic because of his ethnic cleansing of the Muslim Kosovars. Although unlikely to have much effect, the differences add to the overall tensions between ethnic Russians and non-Russians in the Russian Federation. (-1)

----- Two raion leaders in Nizhnii Novgorod resigned in protest against Mayor Yurii Lebedev's attempts to centralize power in his hands. Even pressure from officials at the city's giant automobile plant GAZ could not stop Lebedev's power grab. (-2)

----- Primorskii Krai Governor Yevgenii Nazdratenko is trying to strengthen his grip on the region by removing Krai Duma Speaker Sergei Dudnik, his most prominent opponent. Having already beaten back former Vladivostok Mayor Viktor Cherepkov and Presidential Representative Viktor Kondratov, Nazdratenko looks set to gain unrestrained power in the region. (-2)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Important Regional News

Regional Reaction to NATO Bombing of Yugoslavia
Like Many of Russia's Muslims, Shaimiev Does Not Back Milosevic
Ayatskov Tries Out Role of Nuclear Extremist
Don Cossacks Ready for Action in Yugoslavia
Election Politics Influence Samara Statement on NATO Action in Yugoslavia

Patterns of Regional Development
Volzhskii Mayor Scores Come Back
Tver City, Oblast Battle Over Budget
Politicians Seek Advantage from Striking Sverdlovsk Metro Builders
New Social Organization Forms in Kursk
Critical Voronezh Vice Governor Gets the Boot
Nazdratenko Tries To Remove His Last Opponent
Nizhnii Novgorod Local Leaders Resign in Battle with Mayor
Komi Legislature Gets Down To Work

Center-Periphery Relations
Nikolaev's Party Surprisingly Strong in Dagestan

Interview with Bashkortostan President Murtaza Rakhimov
Criticism of Asymmetric Federalism Is "Out of Place"

Social Issues
Drug Problems Confound Irkutsk Schools

Foreign Ties
Ayatskov Seeks Larger Role in Foreign Affairs

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BREAKING NEWS

POLITICS

SHAIMIEV SUPPORTERS FILL OUT TATARSTAN LEGISLATURE. On 28 March by-elections were held for 15 seats in the Tatarstan State Council after the resignation of some incumbents (see *EWI Russian Regional Report*, 25 March). As expected, all of the seats were filled by candidates supporting the party of power. *Vremya MN* reported that 12 spots were won by local administration heads who had been appointed by Tatarstan President Mintimer Shaimiev. The head of Shaimiev's administration and directors of two enterprises close to the republican government were elected to the final three seats. These results essentially guarantee Shaimiev total control over the legislature and republican politics. He commented that, "The people are showing their faith in us and we shall govern in the interests of the people."

POLITICAL FIGURE MURDERED IN YEKATERINBURG. On 30 March Director of the Social Defense Fund for the Handicapped and candidate for the Sverdlovsk Oblast Legislative Assembly, 33-year old Yurii Altshul was shot to death in Yekaterinburg. Altshul was considered one of the most active fighters aga inst criminal groups.

VOLOGDA REFUSES BRITISH ROYALTY. Due to the NATO air strikes against Yugoslavia, Vologda Governor Vyacheslav Pozgalev refused to receive British royal family member Prince Michael of Kent who had planned to visit Vologda at the end of March to participate in the All-Russian Conference on strategies and tactics for social-economic reforms in the regions. Pozgalev announced, "We cannot receive a high-level guest from the United Kingdom at a time when Great Britain, as a member of NATO, is violating the standards of international law." (*Izvestiya*, 27 March)

BASHKORTOSTAN ELECTS SPEAKER. The recently elected Bashkortostan Republic State Assembly held its first session at which Konstantin Tolkachev was elected chairman. The republic's new legislation calls for a joint chairperson to preside over both chambers of the bicameral parliament. Tolkachev is from the republic's House of Representatives and has headed the Ufa Law Institute since 1996. (*Nezavisimaya Gazeta*, 30 March)

ECONOMICS

CHECHENS BLOCK PIPELINE. The oil company Chechentransneft has blocked off the Chechen part of the Baku-Novorossiisk pipeline. The Chechen leadership claims that this decision was not politically motivated. Chechnya maintains that Russia owes Chechentransneft nearly \$10 million for oil transported through the pipeline and will not reopen the pipeline until this sum is paid. Yet, the pipeline is the last real pressure point Chechnya can use against Russia and the decision to halt pipeline activity occurred only after Dagestan blocked off the Chechen-Dagestan border. The entire situation is complicated by the absence of Chechen President Aslan Maskhadov, who is currently in Saudi Arabia for the hajj. A resolution to the issue is not anticipated before Maskhadov's return. (*Kommersant Daily*, 31 March)

US CHICKEN PRODUCERS INVEST IN RUSSIAN BROILERS. The US Poultry and Egg Export Council and the Russian company Elinar are joining together to form a \$20 million company for producing broiler chickens in Russia. Production will start this summer in Elinar's factory in Moscow Oblast, with annual output anticipated at 15,000 tons. The American partners will invest \$10 million over the next 18 months and Elinar will put forth an equal amount in production facilities. The US Poultry and Egg Export Council represents 32 companies producing 85 percent of US chicken. Russia is one of the biggest consumers of US chicken and over the past several years Russian poultry producers have complained that imports from the US are forcing them out of the market. However, the economic crisis in 1998 caused the price of imported chicken to quadruple, increasing the demand for domestic poultry. If the joint venture proves a success, the American partners plan to sell their stake to the Russians and reinvest the original capital and profits into similar projects in Russia. (*Moscow Times*, 30 March)

KOMBI'S CLOSES MOSCOW STORES. Kombi's sandwich chain closed its four Moscow shops, following Pizza Hut and Dunkin' Donuts who also exited Moscow this year. Pizza Hut closed its last Moscow restaurant on 29 March, but plans to keep its two St. Petersburg franchises open. Kombi's, Pizza Hut, and Dunkin' Donuts now all cite

decreased demand following the 1998 economic crisis for their closures. However, other Western restaurant chains are increasing their activities in the Russian market. Rosinster, which owns the Kombi's chain, is planning to open 10 more Rostik's fast-food chicken franchises in Moscow this year. Three Rostik's outlets will go in Kombi's shops, and the Kombi's on Tverskaya will be replaced by a sushi bar owned by Rosinster. McDonald's plans to invest \$100 million over the next three years, and the Domino's pizza chain has also recently announced plans for the Russian market. (*Moscow Times*, 30 March)

ST. PETERSBURG SEEKS FOREIGN DEVELOPERS. St. Petersburg officials recently returned from the MIPIM '99 international exhibition in Cannes, France where they promoted 14 construction projects including hotels, shopping centers, and infrastructure developments. St. Petersburg Deputy Governor Andrei Likhachev said that the biggest deal signed at the exhibition was a multimillion dollar contract with the Italian-Luxembourg company Demifin SA to construct a business and shopping complex in Sennaya Square, one of the biggest shopping districts in the city. Negotiations are also under way with hotel operators Marriott and Hilton, which will begin constructing hotels this summer. Other projects promoted at the exhibition include a \$330 million museum center on Palace Square, a \$110 million reconstruction of the New Holland naval base, and a \$1 billion amusement park. (*Moscow Times*, 30 March)

MOODY'S LOWERS MOSCOW'S RATINGS. On 26 March Moody's Investors Service rating agency dropped Moscow's rating from B3 to Caa1. Moody's is concerned that Moscow's mounting hard currency debts, which have increased by about \$500 million since August, increased its chances to default. However, Deputy Head of the City Debt Department Sergei Pakhomov pointed out that Moscow has thus far managed to make payments on its domestic and foreign debts. Moody's is the only agency to lower Moscow's rating so far this year. (*Moscow Times*, and *Vremya MN*, 29 March)

REGIONAL REACTION TO NATO BOMBING OF YUGOSLAVIA

LIKE MANY OF RUSSIA'S MUSLIMS, SHAIMIEV DOES NOT BACK MILOSEVIC. Following the statements of Primorskii Krai Governor Yevgenii Nazdratenko and Krasnoyarsk Krai Governor Aleksandr Lebed that Russia should not get entangled in a Balkan war, Tatarstan President Minitimer Shaimiev said that "To be heard, Russia must be strong." Speaking at a special press conference on the situation in Yugoslavia, he added: "I say this not because I want to fight or return to the time of the Cold War. Russia should not get involved in this war. It lacks sufficient strength and the means to influence the decisions that have already been taken. Trying to help the Serbs with a few forces would extend the military activities."

Shaimiev's position reflects that of many ethnic Tatar Muslims in the republic who are concerned about the Serbs' ethnic cleansing of the Muslim Albanian Kosovars. Tatarstan's president said he thought that Russia had gone too far in defending Milosevic. "Of course no president or head of state wants the sovereignty of his territory violated, or the introduction of peacekeeping forces in his land, but above all, a sovereign state should guarantee its own internal security. Yugoslavia cannot do this and blood continues to

flow. Therefore, it should have agreed to the introduction of peacekeeping forces for a specific amount of time."

Shaimiev also called for further negotiations, saying: "The pro-independence leaders of Kosovo ultimately agreed to a compromise, accepting broadly defined rights of autonomy. Milosevic should take a step to meet them. After the bloodshed, it will be more difficult to conduct constructive negotiations. Therefore I do not support NATO's actions." - Midkhat Faroukshin in Kazan

AYATSKOV TRIES OUT ROLE OF NUCLEAR EXTREMIST. In opening the 26 March session of the Saratov Oblast Duma, Saratov Governor Dmitrii Ayatskov, speaking of the NATO bombing of Yugoslavia, said that Topolei-M nuclear rockets and TU-160 strategic bombers are based in Saratov in order to "hit the aggressor in the teeth." Later, at a press conference, he said "we should do everything, including sending the airforce over Washington. Maybe then Bill Clinton will understand that he must take Russia's opinions into account since it is a military superpower."

Ayatskov is famous for his inconsistent and abruptly changing views. Since his opinions largely depend on his current federal patron, Ayatskov probably did not make those statements independently. Observers suggest that during recent meetings with Prime Minister Yevgenii Primakov, the men discussed various possible responses to NATO's actions. Given his prominence in the media, it is possible that Ayatskov was designated to voice one of the most extreme positions, one that Primakov could not take. Ayatskov reportedly just turned down an offer to join Primakov's government, although it is unclear in what capacity he would have served.

On 25 March a meeting of the Great Volga Inter-Regional Association took place in Saratov, at which 11 regional executives were present. Ayatskov announced his intention to demand at a meeting of the Federation Council that the Russian president and parliament remind the "sexual maniac [Clinton] that we have muscles, a powerful nuclear shield and dry gun-powder." The other governors did not support such extreme positions, however.

Even Ayatskov did not really seem to believe what he was saying. Besides the threats, he said that he hoped the federal authorities would have the "wisdom and will not have to resort to arms, sit all parties at the negotiating tables, and let them have their say." His other statements also reflected a more liberal position. - Yuliya Yeliseeva in Saratov

DON COSSACKS READY FOR ACTION IN YUGOSLAVIA. Don Cossack Commander General Vyacheslav Khizhnyakov on 25 March ordered his nine combat units to increase their military preparedness in connection with the events in Yugoslavia. On the same day, 100 Cossacks in the Volgodonsk City Cossack Society expressed their support for President Yeltsin and the Russian government and confirmed their readiness to support their fellow Slavs in Serbia. In a letter to the presidential administration, the Cossacks warned that the NATO action could start a new world war and expressed their readiness to die defending the "home and blood of our Orthodox brothers." Ataman of the Union of Cossack Forces of Russia and Abroad General Viktor Ratiev said that all Cossack social organizations should be organized into a well-disciplined fighting unit as a Cossack subdivision in the Yugoslav army. The Cossacks will take concrete steps toward forming the unit immediately after the Yugoslav people appeal for help.

As a preparatory measure, the Cossacks have set up round-the-clock guards at their headquarters and are conducting inspections of their ranks. Ataman Khizhnyakov has taken personal control over all actions of the Cossack organizations. He said that during this period of economic crisis and social instability, the state Cossack service needs stricter discipline, clear subordination, and active publicity of the activity of Cossack organizations through concrete and useful work with the goal of educating the younger generation and ensuring the organization's very survival.

Many Don Cossacks are now unemployed and hope to win work in the Cossack service. They have nothing to lose, are mobile and are ready to use force - a resource used by the local authorities and some politicians, as well as the Russian state. Examples include the deployment of Cossacks in Moldova's break-away Dniester region and in Georgia's Abkhazia and their use in the electoral campaign to convince voters of the need to continue construction of the Rostov Nuclear Power Plant.

On the crest of the Yugoslav wave, Khizhnyakov, who also serves as a deputy governor of Rostov Oblast, will most likely be elected to the State Duma in December 1999. - Marina Svetlova in Volgograd

ELECTION POLITICS INFLUENCE SAMARA STATEMENT ON NATO ACTION IN YUGOSLAVIA. On 30 March the Samara Oblast Duma adopted a declaration calling on the Russian president and government to denounce NATO's military action in Yugoslavia and take decisive measures to stop the "NATO aggression" in the Balkans. In and of itself, this event is of little interest since most regional legislatures in Russia are preparing or have already adopted similar statements. However, the way the declaration was adopted paints an interesting picture of political life in the region.

The original draft of the statement, prepared by legislators and officials from the governor's office, called on the federal authorities not to allow Russia to become involved in a new Balkan war. However, before the oblast duma session opened, this point was removed at the insistence of Communist Deputies Valerii Kozlenkov and Nikolai Malakhov. Sources suggest that Oblast Duma Committee on Local Government Chairman Aleksandr Belousov joined them. He is well-known in the city as a possible future mayor and a good friend of Deputy Chief of the Presidential Staff Oleg Sysuev, a former Samara mayor. Belousov plans to run for the State Duma in December 1999 from one of Samara's single-member districts. His likely competitor will be Golos Rossii's Vladimir Tarachev. - Andrei Perla in Samara

PATTERNS OF REGIONAL DEVELOPMENT

VOLZHSKII MAYOR SCORES COME BACK. Just one year ago, Volzhskii (Volgograd Oblast) Mayor Anatolii Shiryayev was on the verge of resigning (see *EWI Russian Regional Report*, 5 February 1998). The city economy was about to collapse, school teachers were blocking traffic to protest wage arrears, and the Communist Party (KPRF) had even revoked Shiryayev's party membership because of his wide unpopularity. Today, Shiryayev has achieved relative political stability, reduced the budget deficit, and regained his standing in the party. What happened?

Shiryaev started his political career as a rebel. He led Communist opposition meetings in Volzhskii and was elected mayor because of his tireless fight against the authorities. As mayor, however, he found himself alone at the top of the city administration. The KPRF Oblast Committee needed experienced managers in Volgograd, where Communist Nikolai Maksyuta was elected governor at the same time that Shiryaev became mayor, and had no staff to support its comrade in the second largest city of the region. Shiryaev has no team of his own (he worked as a secondary school teacher until he was elected), and, upon coming to office, he alienated the powerful Volzhskii industrial enterprise directors by trying to get more taxes from them.

Just as it appeared that his political career was over last spring, Shiryaev came to an agreement with the industrial tycoons. He signed several tax laws granting privileges to some enterprises and effectively let the enterprise and factory directors define the city's economic policy. As a result, the budget figures in Volzhskii are now much better than they were in the midst of the conflict.

The Communists then resumed their support. During the December 1998 Oblast Duma elections, the only districts that did not elect Communists were in two Volzhskii electoral districts. The new Volzhskii deputies are directors of the two largest (and most successful) enterprises -- Povolzhie Brewery's Petr Nekrytii and Volzhskii Pipe Plant's Vitalii Sadykov. The Communists had lost what was once a fortress of strength. The defeat forced the KPRF Oblast Committee to reverse its decision to expel Shiryaev from the party. He was restored, and Volgograd Party leader Alevtina Aparina said that the party's goal was to restore Shiryaev's popularity. According to the *Delovoe Povolzhie* weekly (# 11, March 1999), the Communists have even invited prominent economists (and, probably, imagemakers) to help the mayor.

Now Shiryaev has the support of the most powerful groups in his city: Communist party leaders and industrial directors. What he will do if the Communists and directors come into conflict, a distinct possibility in the electoral campaign, is unclear. - Ivan Kurilla in Volgograd

TVER CITY, OBLAST BATTLE OVER BUDGET. On 25 March, members of the Tver City Council sent an open letter to the oblast's Legislative Assembly, asking them to reevaluate the criteria for financing the city of Tver and other donor-cities in preparing the oblast budget for the second quarter of 1999. The Tver city officials complained that the oblast is giving the city significantly less money than it received in past years (*Veche Tveri*, 25 March). Without this income, city officials fear that it will be impossible to pay for public transportation, gas-power heat and electricity, and emergency repair work. The lack of funds will also make it impossible for the city to meet its obligations in carrying out several social programs, including benefits required by law for veterans.

The city legislators believe that their oblast colleagues are violating the law on local government by withholding the funding. In making this charge, the city legislators cited a report of the oblast legislature's own Audit Chamber. The city legislators blame the problem on the oblast administration's "lack of a well-thought out policy for developing the oblast's poor regions and donor-cities." The city's elected officials called on the oblast legislators to set up a committee with city representatives which could legally and justly resolve the problem.

This dispute is not new. On 29 December Tver's mayor and city council sued the oblast governor and legislature over the budget that they had adopted for the first quarter of 1999. They charged that the budget violated several articles of the constitution. In particular, they charged that adopting the budget only for a quarter rather than a year violated federal practice and made it impossible to adopt an annual budget for Tver, depriving it of any real local government (*Vechernyaya Tver*, 19-22 March). Judge Valerii Maarkov ruled that the Russian Constitutional Court should hear the case.

Opinion in the oblast legislature is split. Aleksandr Rzhev, chairman of the Economics Committee, opposes the budget, charging that the federal government is violating the interests of both the regional and local governments. However, Anatolii Kosyrev, chairman of the Committee on Social Policy, believes that the budget should be adopted to avoid harming the interests of those who depend on the social programs.

As in many other regions of Russia, both the governor and mayor of Tver want to have a strong financial base in the run-up to the gubernatorial elections. It remains unclear whether the oblast and city officials will be able to solve their problems independently or if the Constitutional Court will have to intervene. - Boris Goubman in Tver

POLITICIANS SEEK ADVANTAGE FROM STRIKING SVERDLOVSK METRO BUILDERS. The Yekaterinburg metro builders have been on strike now for more than three weeks, making the work stoppage one of the most significant in recent years. The workers are striking because many have not been paid for up to 11 months. Members of the tunnel-construction brigade began the protest with a week-long hunger strike. The city and oblast authorities found money to pay them even though they were not the ones owed the most money.

The federal, oblast and city governments are financing the construction of the Yekaterinburg metro. While the city and oblast have paid their share in 1998, the federal government paid only 6 million rubles of an allotted 130 million rubles. Now the city and oblast authorities are trying to pay off the federal debt from their own strained resources.

Politicians of all stripes have taken an interest in the protest. Once the hunger strikes began, members of the Communist Party and the Liberal Democratic Party of Russia (LDPR) joined the workers in the mine. LDPR leader Vladimir Zhirinovskiy, who is running for Sverdlovsk governor in August, gave each of the strikers 1,000 rubles in an attempt to win greater electoral support. Zhirinovskiy told the strikers, "Your bosses only argue amongst themselves, while I not only give you money, but push the necessary legislation through the State Duma." Such tactics would probably have brought the LDPR great dividends if the Uralmash group, reputed to be one of the most powerful organized crime groups in the Urals, had not stepped in. Its best known representatives brought the strikers 1 million rubles in cash.

Observers believe that this money dramatically increased the number of strikers, as all of the metro workers hoped to benefit. However, the wider strike has not produced the results the workers sought. The political parties have already gained the positive publicity they wanted and are no longer interested in the workers' problems, while the authorities, now accustomed to the strikes, have slowed their search for additional funds. As a result, the strikers have split into two groups. Some went on a hunger strike, hoping to force the authorities to pay out of fear that people would start to die, while others

began gathering signatures demanding that the authorities pay off everyone at the same time, rather than giving money to the hunger strikers first.

The Communists' hopes to turn the strike into a broader protest against the authorities have been frustrated. Each person protests only for himself and ensures that others don't protest any more than is standard, hoping to guarantee that equality in protest will translate to equality in compensation.

Since the beginning of the year the city has paid the metro builders 7 million rubles from its own funds and taken out a loan of 6 million. The credit will be paid back from the money earmarked to finance metro construction for the year. Thus, the city will have no extra money for quite a while. - Nataliya Mints in Yekaterinburg

NEW SOCIAL ORGANIZATION FORMS IN KURSK. A new social organization, Nadezhda-99 (Hope-99), will defend the rights of Kursk teachers and other workers in the social sphere. The organization plans to lobby at multiple levels and forums, from the oblast administration to the State Duma to the courts. The group's primary goal is to participate in the elections for Kursk mayor and the Kursk city assembly. The appearance of the organization roused anxiety among the leaders of science and education trade unions who were planning to put forth their own candidates for the city assembly. Chairman of the oblast committee of trade unions in the sciences and education Igor Pigorev announced, "We do not need to fight with Nadezhda-99 in the long-term. As soon as salaries are paid, the group will dissolve itself." - Sergey Sarychev in Kursk

CRITICAL VORONEZH VICE GOVERNOR GETS THE BOOT. On 5 March Voronezh Oblast Vice-Governor Vladimir Anishev gave an unusually angry interview to *Komsomolskaya Pravda* that put an end to his career in the Voronezh Oblast administration. In his interview, Anishev said that if he were governor "I would fire everybody - from the highest officials to the janitors. After that I would disinfect to get rid of the smell of political intrigues." Anishev also joked: "If I were holding the administration officials by their ears, I would simply rip them off."

Voronezh Governor Ivan Shabanov did not seem to appreciate his subordinate's sense of humor and sacked him on 15 March. Anishev was the head of the Voronezh representation in Moscow. On 18 March the Oblast Duma decided to close the Moscow office (*Bereg*, 26 March).

Local political experts are unsure what caused this prominent Voronezh politician to turn against Shabanov. In the *Komsomolskaya pravda* interview Anishev said that he was fed up with the Communist rhetoric in the administration, and with people who take special pride in being a part of the "Red Belt." It is rumored that Anishev had a row with the governor some time ago and his statements simply reflect that falling out. (*Novaya Gazeta v Voronezhe*, 22 March). - Andrei Muchnik in Voronezh

NAZDRATENKO TRIES TO REMOVE HIS LAST OPPONENT. A campaign to remove Krai Duma Chairman Sergei Dudnik from office is underway in Primorskii Krai. Six thousand residents of Nakhodka, the city that elected the speaker to the krai Duma, sent an open letter to him demanding that he step down. Copies of the letter were sent to

the krai Duma, President Boris Yeltsin, Prime Minister Yevgenii Primakov, State Duma Speaker Gennady Seleznev and other influential politicians in Moscow.

The signatories accuse Dudnik of fabricating myths and manipulating public opinion rather than doing real work when he served as chairman of the Nakhodka Free Economic Zone. According to the letter's authors (disgruntled investors from the failed Bank Nakhodka), Dudnik did not fulfill any of his promises and wasted more than 400 million rubles in state loans provided by Moscow for developing the zone. They also accused Dudnik of wasting credits intended for the construction of an American technology park and the reconstruction of a military airbase, causing the collapse of Bank Nakhodka, and improperly building expensive houses.

These accusations are nothing new. Local newspapers began publishing similar stories nearly every day after the speaker became an open critic of Governor Yevgenii Nazdratenko. Primorskii Krai could set a legal precedent by dismissing a popularly elected deputy. The letter's authors admit that there is no existing provision for dismissing a regional legislator from office. Yet, given the successful dismissal of former Vladivostok Mayor Viktor Cherepkov and the nullification of election results to the Vladivostok duma, similar legal loopholes are likely to be found to remove the speaker.

Dudnik is currently the only high level politician who opposes Nazdratenko. Observers note that this hostility began after a televised interview in which Dudnik, after a very long pause, said he did not intend to run for krai governor. - Yevgenii Popravko in Vladivostok

NIZHNI NOVGOROD LOCAL LEADERS RESIGN IN BATTLE WITH MAYOR. The unexpected happened in the orderly personnel shake-up taking place in Nizhnii Novgorod. Before being asked to do so, two heads of raion administrations resigned their positions and denounced the stewardship of Mayor Yurii Lebedev, who was elected to office in October 1998.

After the dismissal of the Avtozavod Raion head Gennadii Sokolnikov in early March, only three raion chiefs who had not been appointed by Lebedev remained. The city charter gives him the exclusive right to name raion chiefs, whom he wants to be loyal to him and able to deliver the votes to ensure his re-election. It is not clear who will replace former Lenin Raion chief Ivan Yakovlev and former Moskovskii Raion chief Sergei Gladyshev, who both resigned. The Sormovskii Raion chief is not in danger because Lebedev won in that district with a strong majority.

The dismissal of Avtozavod Raion chief Gennadii Solonikov drew a lot of attention, since that district includes the city's giant GAZ automobile factory. Lebedev lost both rounds of the electoral campaign in this crucial district, which includes almost one-third of the city's voters, but the defeat did not cost him the election. The stakes are so high that even the support of GAZ's usually powerful leadership did not protect Solonikov from Lebedev's purge.

Lebedev now complains about the ineffectiveness of the raion-level managers. In most cases, they are now the deputies of the former chiefs. Most of them served many years in their old positions and probably did not expect to replace their bosses. In Avtozavod Raion, Solonikov's deputy was named as the new chief even though, as he pointed out, no one had discussed this possibility with him beforehand. However, since he is not a

Lebedev supporter, his is clearly a temporary position. The post is very important because traditionally the person who serves as the raion leader also chairs the GAZ council of directors. Lebedev may appoint one of his closest aides to this position. There is also speculation that former First Deputy Prime Minister Boris Nemtsov, once governor of Nizhnii Novgorod Oblast, wants the post.

In the case of Yakovlev and Gladyshev, the "fired" have taken the initiative from those doing the firing. They both led their raions for more than ten years and were generally considered competent. Gladyshev even won a prize for his leadership under Lebedev's tenure. Thus, there was no performance-related basis for firing them.

Gladyshev said that the personnel changes were leading to excessive centralization in the hands of the mayor. The raion administrations were no longer needed, since the mayor made practically all the decisions. He also charged that some of the key economic leaders of the city were incompetent.

In commenting on the situation, Vice Governor Aleksandr Serikov said that his personal opinion and the official position of the oblast administration was that "Lebedev was not doing anything good. I do not think that he is working in the interests of the city. But I don't know whose interests he is working in." (Based on reports from the TV station Volga, 21 March, and *Birzha*, 18 March) - Yurii Rodygin in Nizhnii Novgorod

KOMI LEGISLATURE GETS DOWN TO WORK. After electing its leaders during its first session, the newly installed Komi legislature got down to business at its second session on 24-25 March. The legislature now has three major factions, former Prime Minister Viktor Chernomyrdin's Our Home is Russia (16 members), Moscow Mayor Yurii Luzhkov's Otechestvo (15), and rural deputies (7). All three factions represent different groups within the "party of power," which maintains firm control on the local legislature. Only the two Yabloko deputies belong to a real opposition.

Republican leader Yurii Spiridonov, in presenting his annual state of the republic address, noted that during 1998 the republic had not strengthened its incipient stabilization or economic growth. However, there were signs of growth in several sectors such as oil, gas, electricity and machine building. Agricultural production was up 14 percent and housing starts also increased. Spiridonov also took credit for preserving political stability in the region.

The republic's consolidated budget (combined republican and local budgets) received 70 percent of planned income and spent 57 percent of what had been originally decided upon. Spiridonov plans a number of projects in the energy sector, as well as increased road and railroad construction. He hopes that increased foreign trade and improved conditions for small business will stimulate growth. His government will help five to six banks in the republic to overcome the financial crisis. The UN's UNIDO will help increase the foreign presence in the region. The government hopes to find innovative ways to maintain all existing social guarantees. Among other things, Komi hopes to acquire some of India's debt so that it can buy Indian medicines to supply the Komi healthcare system. To maintain political stability during the State Duma electoral campaign, Spiridonov plans to aggressively push the signing of a Treaty on Social Accord in the republic. (*Respublika*, 26 March) - Yurii Shabaev in Syktyvkar

CENTER-PERIPHERY RELATIONS

NIKOLAEV'S PARTY SURPRISINGLY STRONG IN DAGESTAN. On 24 March Union of Popular Power and Labor leader General Andrei Nikolaev visited Dagestan. Even though the Dagestani branch of his party never published an official list of candidates for elections to the regional People's Assembly, 26 of his party members won seats in the 121-seat republican parliament. The Communists, who traditionally have significant support in the region, won fewer than 10 seats from their 40-person list. At a meeting with his supporters, Nikolaev announced that the current success of the movement in Dagestan is only the first step and now the party will concentrate its efforts on the elections to the State Duma. The meeting took place in the offices of Dagneft, whose director, Gadzhi Makhachev, is a member of the Union's presidium.

During the meeting, Nikolaev argued that it is wrong that Chairman of the Dagestan State Council Magomedali Magomedov is the sole representative of the republic's interests in Moscow. He suggested the creation of a plenipotentiary delegation under the aegis of his party to inform the Federation Council about problems in the republic. Essentially, one of the main reasons for Magomedov's long political reign (he has effectively ruled over the republic since 1987) is his ability to win transfers and financial aid from the federal center. The rest of the political players in Dagestan simply lacked the connections and insider knowledge to achieve the kind of success that Magomedov has achieved.

The republican vice-prime minister and leader of the Avar people's movement, Gadzhi Makhachev, may support Nikolaev's proposal to create a regional lobbying group in Moscow. Makhachev and Russian Nationalities Minister Ramazan Abdulatipov are the most likely candidates to lead the republic from among the Avars, the region's largest ethnic group. In the three years before the next republican elections, Makhachev, with Nikolaev's help, might develop his own political ties in Moscow and significantly strengthen his position in Dagestan, challenging Magomedov's indispensability as the republic's breadwinner. - Nabi Abdullaev

INTERVIEW WITH BASHKORTOSTAN PRESIDENT MURTAZA RAKHIMOV

CRITICISM OF ASYMMETRIC FEDERALISM IS "OUT OF PLACE"

RRR correspondents Vasilii Filippov and Dmitrii Grushkin interviewed Bashkortostan President Murtaza Rakhimov in Moscow on 17 March. His views on federalism again show the clear division between republic and oblast leaders in Russia. For comparison, see interviews with Ingushetiya's Ruslan Aushev (*EWI Russian Regional Report*, 11 March) and Tula's Vasilii Starodubtsev (*EWI Russian Regional Report*, 18 March).

RRR: Murtaza Gubaidulovich, what do you think of "asymmetric federalism"? Do contractual relations between the regions and the center strengthen the country or push it towards disintegration?

RAKHIMOV: Today in Russia there is a lot of criticism of contractual arrangements, but I feel this criticism is out of place.

For example, Bashkortostan has excellent relations with Moscow. We retain a lot of power and have no claims against the center. I absolutely disagree with the idea that "contractual relations lead to disintegration." The special characteristics of ethnic states must be taken into consideration. We have a mentality that is completely different from that of the Tyvins, Yakuts or Russians. Every nation wants to live according to its own traditions, customs and culture, and study its own history. This needs to be taken into account!

Again, I repeat, I have no problems regarding relations with the center. Thus, I support contractual agreements. Of course, problems exist, but these are our own internal problems that we should resolve ourselves. Many people here put blame on the center. They hold Chernomyrdin and Yeltsin responsible for their sufferings. All rights and powers have been given to Federation subjects. They simply need to work. Overall, I feel that the federalization process currently underway is normal. The only question left to resolve annually is the issue of budgetary relations. But, federalism is new in Russia. Therefore, these problems are probably temporary.

GRUSHKIN: Mr. President, you have touched on a very important problem. Would you mind speaking more about the budgetary relations between Bashkortostan and the center?

RAKHIMOV: The financial relations between Bashkortostan and the center are stable. As per agreement with the center we finance many social programs ourselves. The republic is not a debtor, but a donor region so we are able to solve many problems locally. I think that this is normal.

FILIPPOV: Murtaza Gubaidulovich, how do you feel about establishing equal relations among all the regions (*gubernizatsii Rossii*)?

RAKHIMOV: If they want to make all regions equal (*vvodit gubernii*), let them reorganize the oblasts where the Russian-speaking population lives. There are several small oblasts in which the population is less than a million people. Bashkortostan's population is more than 4 million, and all ethnic groups live peacefully, therefore I do not see how this proposal applies to our republic.

GRUSHKIN: What about the idea of decreasing the number of regions by combining them?

RAKHIMOV: Let them consolidate regions, as long as they do not touch the republics. I do not object to this. Russia is big, so they can consolidate Kursk Oblast, Yaroslavl Oblast, Ryazan Oblast...We will see, maybe this will be okay, maybe this is the right direction.

FILIPPOV: Murtaza Gubaidulovich, what is your opinion on the relations between republican presidents and oblast governors in the Federation Council? Is there any friction?

RAKHIMOV: Absolutely not! For example, we in the Urals region have very business-like relations. We come together, deliberate and decide regional problems together.

GRUSHKIN: Your prognosis regarding the future of federalism. Will Russia remain as a united state or will the current economic, social and political problems lead to disintegration?

RAKHIMOV: I think that Russia will withstand the difficulties. Russia has made it through difficult times before and I am confident that it will make it through this. The country needs managers who will strengthen Russia and fix its economy. Until the economy improves there will be difficulties in federal relations.

SOCIAL ISSUES

DRUG PROBLEMS CONFOUND IRKUTSK SCHOOLS. The Siberian Accord's coordinating council for fighting crime met in Irkutsk on 26 March to discuss the drug trade. Irkutsk Governor Boris Govorin charged that state policy is incomplete because there is no legislative base or resources to fight drug dealers.

The drug trade is growing rapidly and the authorities can do little. Even when arrested, drug sellers often receive suspended sentences. This practice makes it almost impossible to punish them.

Siberia has turned from a region through which drugs are transported into a major consumer. Drug dealers target young people. Irkutsk Deputy Governor Vladimir Matienko said that the dealers' main method of operation is to offer the services of renovation-construction brigades, made up of ethnic Tajiks, to schools that lack money for repairs. The construction workers have no intention of making a living from the repair work, but generate huge profits from selling drugs to the school children. Once they gain access to the schools, they set up their own networks of distributors among the children, which provides additional income.

The Irkutsk medical establishment lacks the funds to support the treatment of drug users. However, Govorin pointed to the example of the women from the Lenin Raion who have organized a group called "Mothers against drugs (*Materi protiv narkomanii*)" and founded a rehabilitation center for former drug users. The oblast authorities support this initiative and work with all social groups fighting drug use. - Galina Solonina, Teleinform, Irkutsk

FOREIGN TIES

AYATSKOV SEEKS LARGER ROLE IN FOREIGN AFFAIRS. Saratov Governor Dmitrii Ayatskov has long been interested in playing a greater role in foreign affairs. However, since he was in charge of the oblast's day-to-day economic life, he had to handle regional problems as well as the delicate assignments of the Ministry of Foreign Affairs, until recently headed by the current Prime Minister, Yevgenii Primakov. Such was the situation when he went to Azerbaijan, where he tried to solve "from below" the problem of ship traffic on the Volga River and Caspian Sea (see *EWI Russian Regional Report*, 10 September 1998). He sought to break the ice between Moscow and Kyiv with his trip there in November (*EWI Russian Regional Report*, 8 December 1998). Ayatskov also accompanied Primakov on his recent trip to India. Now he has passed off many of his domestic duties to a newly appointed prime minister.

In a quest to change his political role, Ayatskov is no longer trying to prove

himself through local acts of populism, which must be backed up by immediate results. Now he is engaging in international acts of populism instead. What once impressed President Boris Yeltsin about Ayatskov's actions could hurt his relations with Primakov, the former scholar spymaster whom Ayatskov believes will be the next president. Ayatskov is now switching his main allegiance from the current head of state to tomorrow's most likely leader and seeking a way to win his heart and mind. What could impress the former minister of foreign affairs more than a sequence of unusual and loud international initiatives and announcements?

Primakov is apparently using the governor to gather intelligence from countries where federal foreign policy is running into trouble or where relations are highly volatile. When the Japanese ambassador to Russia visited Saratov, his conversation with Ayatskov apparently went beyond the bounds of discussing economic cooperation with Japanese firms to include Russian-Japanese relations in general. After participating in the Russian-Uzbekh Inter-Governmental Commission, the governor told Primakov that Russia had wrongly downgraded its relationship with President Islam Karimov, had a disorderly policy toward Uzbekhistan, and was withholding payments needed to maintain Russian military sites in the country. Ayatskov also joined Primakov's meeting with German Chancellor Gerhard Schroeder, during which Ayatskov said that Russian Foreign Minister Igor Ivanov served as his interpreter. They apparently discussed German influence on the IMF and the revival of the idea of creating a German district in Saratov that would include oil-rich Staropoltavskii raion, which is now part of Volgograd Oblast.

On 16 March, Ayatskov joined Primakov in meeting with Israeli Prime Minister Benjamin Netanyahu. Ayatskov had planned to go to Israel in February, but the trip was canceled after a number of anti-Semitic outbursts in Saratov.

Despite Ayatskov's more visible role, Moscow sources suggest that Primakov is in no hurry to establish closer links with the regional elite on foreign policy issues. Ayatskov only joined the Netanyahu meeting because he had already prepared concrete proposals on medical, agricultural and trade cooperation for his trip.

Primakov is scheduled to visit Saratov on 20 April along with 30 governors to celebrate the completion of a gas pipeline that will complete the "gasification" of the oblast. It is unimportant that many home will not have gas for a long time to come. By that time Ayatskov will have little to do with the region's economic problems. The oblast's new prime minister, Petr Kamyshilov, who was appointed 3 March, will have to answer for these problems. (On Kamyshilov's appointment, see *Rossiiskii regionalnyi byulleten*, no. 4, 22 March).

Foreign leaders are also beginning to turn to Ayatskov. At his 26 March press conference, Ayatskov said that Ukrainian President Leonid Kuchma had called him to ask him to lobby the federal government to base Russian nuclear weapons on Ukrainian territory. Ayatskov said that he did not support basing the weapons in other countries and also pointed out that he opposed nuclear weapons in general. - Yuliya Yeliseeva in Saratov

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In celebration of the publication of the 100th issue of the EWI Russian Regional Report on 13 May, we are holding a contest to determine the best book ever written on the Russian regions in English or Russian! Please send your suggested titles and one sentence on what makes the book best to us at: regions@iews.org (please note "book contest" on the subject line). The ultimate winner will be the work that sheds the most light on explaining life in the regions. Suggested titles could include the latest social science analyses, works of literature, map collections, or a statistical handbook. We will post all submissions on our web site (<http://www.iews.org/rrrabout.nsf>) as they come in and a board of experts will chose the winner. The results will be published in our 13 May issue. We look forward to hearing from you!

Issue 6 of the Russian language version of the RRR is now available on our web site (<http://www.iews.org/rrrabout.nsf>). It includes several articles that have not appeared in the English version, including analyses by Leonid Smirnyagin and Irina Busygina about the role of Moscow in Russia.

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EastWest Institute
Russian Regional Report
Vol. 4, No. 13, 7 April 1999

Russian Cohesion Index: +1 (no change this week)

Disintegration.....0.T.....Democratic Federalism

(T = this week; 0 = 17 March)

+++++ Samara Oblast is about to adopt legislation allowing the purchase of farm land. It is an important step, but only the beginning of a long process. (+1)

+++++ The weak ruble is causing a boom in Russian car manufacturing and light industry. The crisis may ultimately have a positive effect on Russian industry. (+1)

+++++ Irkutsk, Chita, and Buryatiya are trying to find a way to make the Baikal-Amur Railroad profitable. This super project has long been a drain on the region, but at least everyone now recognizes that it is time to find a solution. (+1)

----- Governors and mayors in places like Tver and Novosibirsk continue to use budgets as one of their main weapons in preparing for up-coming gubernatorial elections. It is good that regional officials take elections so seriously, but not if it causes serious damage to regional governance. (-1)

----- Reports from Nizhnii Novgorod suggest that the local Norski refinery may lack sufficient supplies of oil because of the governor's decision to back Moscow Mayor Yurii

Luzhkov. The dispute could give large oil companies increased influence over the oblast in the run-up to the State Duma and presidential elections. (-1)

----- Vladimir Zhirinovskiy is finding a receptive audience in regions like Ryazan. He could be right that the worse the situation gets in Russia, the more popular politicians like him will become. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Nazdratenko Takes Over Free Economic Zone

Cherepkov Loses Seat in City Duma

Political Economy

Businessmen Protest New Taxes in Pskov

Inter-Regional Cooperation

East Siberian Regions Debate Baikal-Amur Railway

Foreign Ties

Prusak Trip to US Casualty of NATO Bombing

Weak Ruble Helps Volgograd Clothing Producers

*****Special Supplement: Elections 1999/2000*****

Economic Consequences of Political Alliances

Nizhnii Oil Plant in Trouble; Governor's Political Alliances May Be To Blame

Political Parties in the Regions

Zhirinovskiy Well Received in Ryazan

Voronezh Otechestvo Annoys Both Mayor and Governor

Advertisement

EWI Handbook of Russian Regional Executives

BREAKING NEWS

POLITICS

VOLKOV AND SALTYKOV GO HEAD TO HEAD IN UDMURT ELECTIONS

AGAIN. Udmurtiya held elections for the 100-seat State Council, the regional parliament, on 4 April. Udmurtiya is the only Russian region with a purely parliamentary system of government, although there are a variety of special parliamentary cases, such as Dagestan and Kareliya. The main contest was between the supporters of incumbent State Council Chairman Aleksandr Volkov and the mayor of Udmurtiya's capital city Izhevsk, Anatolii Saltykov. The two leaders have long been at odds with each other, climaxing when Volkov attempted to remove Saltykov from power in 1996 (see *EWI Russian Regional Report*, 6 March 1997). The parties representing the two rivals each won 35-40 seats in the new Council, *Izvestiya* reported 6 April. The biggest surprise was the poor showing of the Communists. Only 8 Communists won election, a sharp decline

from the 20 Communist seats in the previous State Council. More than a dozen deputies have not declared their allegiances.

The new deputies must now elect the State Council chairman, who simultaneously serves as the republic's chief executive, and the competition is intense. The top contenders are Volkov and well-known heart surgeon Yevgenii Odiyankov, who is representing Saltykov's party. Volkov has the support of Moscow Mayor Yurii Luzhkov and his Otechestvo movement. Volkov also can count on the directors of the region's military-industrial complex. To his advantage, Odiyankov has an unblemished reputation and appeals to the educated electorate. Saltykov, who is a strong supporter of President Yeltsin, will also lobby for Odiyankov. (For full election results, see <http://express.udmnet.ru/daily/results.html/>)

KARACHAEVO-CHERKESSIYA PREPARES FOR FIRST PRESIDENTIAL ELECTION. Tensions continue to mount as Karachaevo-Cherkessiya prepares for its first republican presidential elections, which will take place on 25 April. Of Russia's 89 regional leaders, incumbent Vladimir Khubiev is the only regional executive who has not been elected to the post. President Yeltsin appointed him to the position in 1992 and he has served at the top of the region's power structure since 1979. Khubiev's opposition to republican presidential elections has delayed them since 1996. This delay, as well as accusations of corruption, has caused Khubiev's popularity to plummet.

The top contenders to replace Khubiev are Cherkessk Mayor Stanislav Derev and General Vladimir Semenov. Derev and Khubiev have tense relations. Derev was elected mayor of Karachaevo-Cherkessiya's capital in October 1997, pulling in 75 percent of the vote (see *EWI Russian Regional Report*, 29 January 1998). He is known as the local vodka king, having worked as director of the Merkurii plant prior to his election. (Merkurii contributions make up 50 percent of the city's tax base and 25 percent of the republic's.) Derev is supported by the region's ethnic Cherkessiyan population (8 percent of the republic's total population) and has been courting the republic's Russian speaking electorate (42 percent) by contributing a sizable sum to the local Russian Orthodox church. Semenov could fare well among the Karachai electorate (39 percent) who oppose Derev and are extremely disappointed in Khubiev. The Karachai have announced that if Derev wins the election, they are prepared to consider secession from the republic. (*Segodnya*, 6 April)

NORILSK MAYOR FOUND GUILTY. On 1 April the Krasnoyarsk Krai Court found Norilsk Mayor Vasilii Tkachev guilty of taking bribes. The court determined that Tkachev accepted two Zhiguli cars in connection with a building contract in the southern part of the krai. The scandal first came to light two years ago and then Governor Valerii Zubov removed Tkachev from office (he was reelected mayor shortly after being sacked). Tkachev was sentenced to 8 years in prison. His lawyers are planning to appeal the case. (*Vremya MN*, *Kommersant Daily*, 2 April)

MOSCOW WANTS TO REINSTATE RESIDENCY PERMITS. The Moscow City Duma is planning to present a legislative initiative to the State Duma that would require all visitors to register themselves in the city. The city duma's Legislative and Security Committee wants Moscow to have the status of a district with limited residency options,

and to enact federal legislation mandating that the capital should regulate the registration of foreigners and visitors from other Russian cities. According to committee Chairman Oleg Bocharov, the new law would "protect the capital from an increase in inter-city crime and avoid the logistical catastrophe of having a large number of people in the city." (*Segodnya*, 6 April)

LUZHKOVA PLACES ADDITIONAL REGULATIONS ON FOREIGN

WORKERS. Moscow Mayor Yurii Luzhkov has ordered all companies with foreign employees to explain why Russians could not do the job. The decree, which was signed on 5 March but only recently made public also requires all foreigners working for Western representative offices to obtain work permits. Until now they have only needed personal accreditation. Legal experts claim that Luzhkov's decree goes against federal law and adds to the bureaucratic obstacles companies face. Federal law does not specify that employees of representative offices must secure work permits since it is generally assumed that workers in representative offices have personal accreditation and do not need permits. The process of obtaining work permits takes approximately two months and costs about \$300. A company needs to receive authorization to hire foreigners and provide tax payment statements, the organization's charter, and labor contracts. Given the numerous contradictions with federal law Luzhkov has managed to surmount, in particular the maintenance of residency permits in Moscow, it is likely that the decree will not be overturned. (*Moscow Times*, 3 April)

NOVOSIBIRSK GOVERNOR, MAYOR BATTLE OVER BUDGET. Novosibirsk Governor Vitalii Mukha has proposed that the oblast receive a considerably larger share of the region's tax income at the expense of the region's cities and rural districts. The city of Novosibirsk will be particularly hard hit (A similar battle is taking place in Tver, see *EWI Russian Regional Report*, 1 April).

According to Mukha's plan the oblast would keep all income from the value-added tax, profit tax and the vast majority of the income tax, leaving the city only 5.1 percent. Now the VAT gives the city 6 percent of its budget, profit tax provides 8.6 percent of city income and the income tax provides 73 percent. The city would lose 510 million rubles in profit tax revenue alone.

Implementing these changes would damage the reputation of Mayor Viktor Tolokonskii, who is considered a "strong manager." Mukha is likely motivated by the upcoming December gubernatorial elections in which Tolokonskii is considered one of his strongest opponents (*Vremya MN*, 24 March).

The oblast administration has criticized the city for various problems with its budget in 1998, including charges of reducing city revenue by giving tax breaks on non-residential property, irregularities in the dispersal of funds received for the fire department, and lower surcharges for heat and hot water than in the rest of the oblast. At a 23 March meeting, the oblast administration set up a commission to address these budgetary issues including representatives from the governor's office, the mayor's office, the tax police, and federal officials (Novosibirsk Oblast Administration press release, 23 March, http://www2.adm.nso.ru/cgi-bin/vest.pl?id_doc=5716&about=2).

YELTSIN OVERRULES BELGOROD GOVERNOR. On 18 March, President Boris Yeltsin issued a decree overturning a 16 December 1998 decree by Belgorod Governor Yevgenii Savchenko in which Savchenko sought to stabilize the local market by forbidding the export of unprocessed agricultural goods (meat, milk, grain) beyond the oblast borders. Yeltsin noted that Savchenko's decree violated articles 8, 34, 35, and 71 of the constitution (http://www.maindir.gov.ru/Administration/Press_Release/Mar/svwi3919.html). Yeltsin's decree continues the federal efforts to preserve Russia as a unified market and keep the governors obedient to federal legislation.

ECONOMICS

SAMARA PASSES FARM MORTGAGE BILL. Samara Governor Konstantin Titov is about to sign Russia's first farm mortgage bill. Titov initially proposed the bill, which was passed by the Samara Oblast legislature last week, and should sign it into law in the next two weeks. Irek Nuriev, head of the Samara Farmers' Association, told *The Moscow Times* that "This provides a realistic opportunity for our farmers to take out bank loans. It is definitely a very good and progressive law that brings us closer to being a civilized market." Nuriev stated that the region's farms are in desperate need of investment. About 80 percent of Samara's 3,500 farms were severely damaged by the drought last year and about \$1.87 million worth of land was scorched by fires.

The bill provides that a property's value must be assessed before it can be used as collateral for a loan. The land is turned over to a creditor only if the borrower fails to pay off the loan or misses payments more than three times in one year. The plot then must first be put up for sale at an open auction requiring the minimum bid to be the predetermined value of the land.

Even though the bill should be signed soon, it will not be implemented quickly. Nuriev explained that the law will need to be explained to farmers, most of whom have never heard of anything like this. The bigger problem, however, is finding banks to handle the financial aspects of the transactions. There are no banks in Russia specializing in land since SBS-Agro has suffered a major blow due to the crisis that began last summer. SBS-Agro spokesman in Samara, Vladimir Bakulin, said that the bank has received about 100 loan requests from Samara farmers this year, but has not extended any credits. (*Moscow Times*, 6 April)

NIZHNII NOVGOROD BEHIND ON EUROBOND PAYMENTS. Nizhnii Novgorod failed to pay a 2002 Eurobond coupon due on 3 April. Nizhnii Novgorod spokeswoman Marina Karelina claims that the administration intends to pay and that the money is being collected, the *Moscow Times* reported on 6 April. The region owes \$4.375 million in interest. The August 1998 ruble devaluation has made it extremely difficult to repay foreign currency credits. Moscow, however, plans to make the DM 45.6 million payment on its Eurobond on time, 8 April. (*Moscow Times*, 6 April)

GREATER VOLGA CREATES OIL COMMERCIAL STRUCTURE. On 30 March the Greater Volga interregional association's subcommittee on the oil and chemical complex met in Togliatti (Samara Oblast). The group decided to form a holding,

"Volgomezhregionkhim," based in Samara that will bring together all oil and chemical companies in the Volga regions. Volgomezhregionkhim will serve as a coordinator for implementing cartel agreements between enterprises and develop proposals for international investment projects. The holding's founders will meet again closer to summer and then Volgomezhregionkhim will begin operations. Most likely, the holding's policies will be closely connected to the plans of the Samara Oblast administration, which wants to play a coordinating role in all petro-chemical activities in the Volga. Samara Governor Konstantin Titov has long advocated developing stronger interregional ties, and thus the creation of Volgomezhregionkhim is in his favor. (*Vremya MN*, 5 April)

ST. PETERSBURG SALES TAX DOUBLES REVENUE. During the first month it was in effect (20 January - 20 February), St. Petersburg's 5 percent sales tax has brought in 155.46 million rubles for the city budget, more than twice the sum collected last year during the same period from the seven taxes that were cancelled when the sales tax was introduced. The tax went into effect on 1 January and applies to all goods and services except for housing services and essentials like bread. After conducting a competition, the St. Petersburg administration decided that Promyshlenno-stroitelnyy bank (St. Petersburg), BaltONEKSIMbank, and MENATEP St. Petersburg will handle the revenue generated from the tax. (*Finansovaya gazeta*, regionalnyi vypusk, no. 12, March)

KAZAN ADOPTS BENEFITS FOR SMALL BUSINESSES. The mayor of Tatarstan's capital city, Kazan, has adopted a decree freeing some small businesses from paying city and raion taxes during the first three years of their activity, and only 50 percent after that. The tax breaks apply to businesses active in such priority spheres as industrial production, construction, technology, pre-school and elementary school training, medicine, and domestic services. Small businesses in other spheres will receive a 50 percent tax break during the first year of their activity. However, the decree said that the entrepreneurs should contribute 10 percent of their tax breaks to the city's Foundation to Support Entrepreneurship. (*Finansovaya gazeta*, regionalnyi vypusk, no. 13, March)

PATTERNS OF REGIONAL DEVELOPMENT

NAZDRATENKO TAKES OVER FREE ECONOMIC ZONE. Primorskii Krai Governor Yevgenii Nazdratenko has taken the development of the Nakhodka Free Economic Zone under his own personal control. The governor announced this move at a press conference in the office of Nakhodka Mayor Viktor Gnezdilov, concluding his visit to the city boasting the Far East's largest port.

Until 1998 the administrative committee of the Nakhodka Free Economic Zone was headed by Sergei Dudnik, the current speaker of the Primorskii Krai Duma and the governor's number one enemy (see *EWI Russian Regional Report*, 1 April). Nazdratenko claims that Dudnik joined the дума to avoid debts he incurred while heading the zone and that the governor refused to include in the krai's budget. Nazdratenko emphasized that everything must be done to ensure that the huge loans allegedly squandered by Dudnik do not burden the rest of the region.

Nazdratenko's first step as head of the zone will be to resume the construction of a Korean technology park. This was one of Dudnik's most famous projects, which envisaged the creation of a powerful complex for the production of spare parts and machinery. The krai administration has prepared a new project, having decreased the territory of the park from 300 to 55 hectares, and its term of operation from ten to six years. In April Nazdratenko intends to meet personally with the president of South Korea to discuss moving ahead with the project. - Yevgenii Popravko in Vladivostok

CHEREPKOV LOSES SEAT IN CITY DUMA. Former Vladivostok Mayor Viktor Cherepkov has been deprived of the city duma seat he won in January's elections (*EWI Russian Regional Report*, 21 January). The Pervorechenskii court of Vladivostok handed down this decision in answer to a case initiated by Vladivostok resident Vladimir Zaitsev which questioned the validity of the elections to the city duma in voting district No. 7, where Cherepkov won an overwhelming majority of the votes. The court cited several electoral violations. One such example was that people living outside of the electoral district were included on the district's voting lists. Additionally, the court cited violations by Yurii Sharapov, a well known businessmen and Cherepkov rival.

Cherepkov still has ten days to file an appeal, but it is doubtful that he will do so. Cherepkov has repeatedly stated that the city's court decisions are entirely subordinate to the krai administration and that he could find justice only in Moscow. Moreover, he has already put forward his candidacy in district No. 15 for the city duma by-elections on 16 May.

A lot of confusion surrounds the by-elections, without which the Vladivostok Duma cannot begin its work. Acting Vladivostok Mayor Yurii Kopylev initially refused to finance the elections, then, after announcing his own candidacy, he released 1.8 million rubles, which is considerably less than the 3 million demanded by the city electoral commission. It is unclear how many districts will conduct elections since the courts are still creating new vacancies by ruling some of the January elections invalid. The court should decide on the case involving the deputies from the United City (*Yedinyi gorod*) bloc, which was created by Cherepkov and is supported by 14 of the 16 elected deputies. If the court decides not to admit these deputies, then new elections will be necessary for nearly the entire duma. It is also unclear if turnout will be sufficient to make the upcoming elections valid. A Sunday in the middle of May is when the majority of people will be working at their dachas planting potatoes and vegetables. Private garden plots have always been a threat to spring and summer elections, but now under crisis conditions, this threat has doubled.

The newspaper *Utro Rossii iz Vladivostoka* ran an announcement that there is a contract out on Cherepkov's life. Citing unnamed but supposedly reliable sources, the paper claimed that the murder is being planned by state officials with the participation of the local branch of the Ministry of Internal Affairs. The authors link this to the fact that Cherepkov will undoubtedly win his case protesting his dismissal as mayor of Vladivostok in either the Supreme Court or the Constitutional Court of Russia. Such shocking news is not rare in Vladivostok. In 1994 to avoid alleged hitmen, Cherepkov drove around the city in a truck covered with iron plates. At about that time, Cherepkov claimed to have been kidnapped. Then, according to the former mayor's testimony, he used his psychic powers to hypnotize one of his abductors and freed himself.

The next session of the Russian Supreme Court Appeals Board, which is looking into the legality of Yeltsin's December 1998 decree dismissing Cherepkov, should be on 15 April. In February the Supreme Court confirmed the legitimacy of the president's decree. - Yevgenii Popravko in Vladivostok

POLITICAL ECONOMY

BUSINESSMEN PROTEST NEW TAXES IN PSKOV. Pskov businessmen are extremely angry about the new sales tax adopted by the Pskov Oblast Assembly of Deputies at the end of February. In contrast to many other Russian regions, small retail trade businesses must pay the new sales tax. In other regions, businesses with fewer than 30 employees can pay an imputed tax that is more advantageous for them. Local business leaders feel that the Pskov taxes violate federal legislation and sought to make their opinions clear at an Assembly session.

However according to Yelena Semenova, the director of a chain of cosmetic stores, it was very difficult to get their point across. "The oblast administration conducted a very unpleasant conversation with the 10-11 people who were at the meeting. They threatened us and, you know, sometimes in Pskov these threats become reality (Radio Liberty, 3 April)." Despite the protest, the Assembly approved a 5 percent sales tax, the highest allowed by federal law, and applied it to all businesses that use a cash register.

Since the new tax came into effect on 1 April, the businesspeople whose opinions were not taken into account decided to stage a protest and closed their stores for one day on 31 March. More than 100 stores in Pskov were closed on that day. The store owners sought to assure their customers that their actions were not directed against them. "Our protest is a vote through action. We are not striking, we are acting," Maks Food Director Aleksandr Trusov explained. The stores hung signs on their doors that said "We are against increasing prices, we are against new taxes, we are closed."

However, while the stores were closed, the sales clerks were busy raising prices. When the stores reopened on 1 April, they had raised prices by 5 percent. However, that was only the increase on goods that the store owners had already bought. As they purchase new stocks, with 5 percent increases added to all the previous transactions on the goods, final prices for the consumer are expected to rise 15-20 percent.

If these predictions are borne out, then the 100 million rubles that the new taxes are expected to raise will not seem like a large sum, especially to public sector employees who will have to measure their salaries against the new prices.

Despite all of this commotion, none of the political parties active in Pskov have announced a position about the new taxes. Against this background, it looks like the owners of the small businesses, who have already shown their strength through the store closings, are becoming a powerful force.

Pskov Governor Yevgenii Mikhailov, the only governor in Russia who is a member of Vladimir Zhirinovskiy's Liberal Democratic Party, said on the Pskov television station on 1 April that "We will study the situation in the regional economy after the introduction of the new taxes. Let's see what happens in a month or two..."

For the time being, the small businessmen in the region are committed to reducing the sales tax. They are trying to work through the regional legislature and have not ruled out further acts of public protest. - Andrei Shcherkin in Pskov

LATE BREAKING UPDATE: In an interview with the RRR's John Varoli in St. Petersburg on 4 April, Maks Foods' Trusov said that the Pskov legislature was going to take up the sales tax issue again on 12 April. He warned that if an agreement was not reached, up to 70 percent of the region's retail shops plan to close their doors for an unspecified period of time. Despite the strike threat, however, Trusov is confident that the problem will be solved. When asked how small businesses plan to influence the local government, Trusov non-chalantly remarked that, "we'll just have to pay the officials off. That's the way these problems are always solved in Russia."

INTER-REGIONAL COOPERATION

EAST SIBERIAN REGIONS DEBATE BAIKAL-AMUR RAILWAY

by Galina Solonina, Teleinform

IRKUTSK - Irkutsk, Buryatiya, and Chita are sparring over a draft law on establishing a special economic zone along the Baikal-Amur Railway (BAM). The proposed legislation will be the center of debate at parliamentary hearings in Irkutsk set for 27 April.

The strongest supporters of the zone are the East Siberian Railroad, Chita Oblast (Governor Ravil Geniatulin has already signed the document), and the Republic of Buryatiya. Those opposed to the bill in its present form include the federal government, Irkutsk Oblast, and law enforcement organs. The municipalities along the BAM are not pleased with the draft law, but are prepared to support it.

The BAM project, which connects parts of East Siberia and the Far East with the Pacific, was begun in the 1970s, yet never succeeded at spawning an industrial boom in the territories it traverses. BAM is not self-sufficient, and will not be able to pay for itself anytime in the near future. The East Siberian Railroad incurs enormous losses in maintaining the BAM, thus the creation of a special economic zone is in its interest. For BAM to become profitable, industry must develop along the rail line. Presently, only timber transport goes along the BAM route, and this trade is not sufficient for the line to be cost effective. The leaders of Chita and Buryatiya are attracted to the idea of a special economic zone for BAM in hopes that it could help induce economic growth in their regions.

Irkutsk Oblast is opposed to the creation of a special economic zone since it will lose tax payments it receives for the exploitation of mineral deposits in the BAM zone, which includes valuable resources such as the Kovyktin gas field and Sukhoi Log gold deposit. Furthermore, several other tax, customs, and currency payments will be lost through BAM if the draft bill passes.

Local governments located in the proposed BAM zone are upset that supervisory councils that will manage territories adjacent to the rail line will encroach on their authority. The introduction of such councils violates the constitutional rights of local governments. Yet, in spite of the limitations a special economic zone will have on their powers, local governments are prepared to support the bill.

The law enforcement authorities see a shortcoming in the draft law because it violates current Russian legislation. Twelve of the bill's twenty articles contradict federal statutes, including the Constitution, and four merely repeat existing legislation.

Nevertheless, those who are against the draft law understand that a law on BAM is necessary, just not in its present form. Irkutsk Deputy Governor Yurii Berezutskii feels that Irkutsk Oblast should prepare its own version of the law to present to the State Duma deputies at the upcoming parliamentary hearings.

FOREIGN TIES

PRUSAK TRIP TO US CASUALTY OF NATO BOMBING. At a press conference with local journalists, Novgorod Governor Mikhail Prusak said that NATO's decision to bomb Yugoslavia had caused him to change his travel plans. "I am supposed to go the US on 16 April, but most likely, I will refuse to participate in this trip. Nevertheless, I believe that we should not argue with the west over the Yugoslav conflict, we should not stand aloof. Russia's share of international trade is just 1-2 percent, we are outside the mainstream of scientific-technical progress, and are not competitive."

"As for my view of these events, as soon as NATO begins ground operations, they will get just what we got in Chechnya. Second, the institutions, such as the UN's Security Council, the Organization for Security and Cooperation in Europe (OSCE), and NATO are out of date. All countries, and not just those chosen by the International Monetary Fund or the USA, should solve global problems, as it was in Helsinki in 1975. Third, everyone is trying to use the Yugoslav conflict in their interests. Some are testing new weapons. Others seek to score points before the elections or deflect attention from domestic problems. That is how we solve the Yugoslav problems! If only we could use such ardor in resolving the problems that are crucially important for the Russian economy." - Ivan Novgorodskii in Velikii Novgorod

WEAK RUBLE HELPS VOLGOGRAD CLOTHING PRODUCERS. The collapse of the ruble has considerably benefited Volgograd clothing makers since they have been able to attract customers who are no longer able to afford imported garments. Volgograd Vice Governor Mikhail Kharitonov noted the boom in announcing the results from Volgograd clothing manufacturers during the two first months of 1999. ZAO AORA (knitted wear factory) increased production 209 percent over the same period in 1998, the Uryupinsk Sewing Factory's output was up 286 percent, AO SOFT, 257 percent, and the Volgograd Sewing Factory Tsaritsa, about 600 percent. Other factories in the city could not increase output because they lack capital. Their directors are hoping for state credits to purchase raw materials. - Ivan Kurilla in Volgograd

*******SPECIAL SUPPLEMENT: ELECTIONS 1999/2000*******

ECONOMIC CONSEQUENCES OF POLITICAL ALLIANCES

NIZHNII OIL PLANT IN TROUBLE, PERHAPS BECAUSE OF GOVERNOR'S POLITICAL ALLIANCES. The Norski oil company's Kstov oil processing plant, which accounts for 100 percent of the taxes in Kstov Raion and 25 percent of Nizhnii Novgorod

Oblast's income, is in crisis because it currently lacks sufficient supplies of crude oil. Since October, oil supplies delivered to Norsis have been dropping and the situation reached a nadir in February when the company only received 270,000 tons. This level of supply is only a quarter of what the company usually receives and is just enough to keep the plant in running order. At this level of output, it is impossible to make a profit.

Since Norsis does not have any of its own resources, LUKoil usually provides 80 percent of the oil which the factory processes. There are several economic explanations for why LUKoil has cut deliveries. First, given current conditions, it is more profitable to simply export the raw oil. Second, overall oil production has dropped due to the crisis. And, third, mistakes were made at the very beginning when the Norsis processing plant was privatized without giving it access to its own oil reserves. There are only two processing plants in Russia today that are not connected to oil extraction companies: Norsis and the Moscow oil processing plant. There is not enough oil in the country to keep both plants open so one must be closed.

Of course, there are political reasons for the refinery's problems as well. According to Vice Governor Aleksandr Batyrev, Russian oil companies are continuing to divide up property among themselves and Norsis may be a victim of this process. Norsis Oil Vice President Aleksandr Meleshkin believes that Norsis is closely associated with former Prime Minister Sergei Kirienko, who headed the company before entering the federal government. Since Kirienko is now out of power and cannot help his former employer, the refinery is having trouble acquiring raw material inputs. In addition to these views, several observers believe that Norsis's difficulties are connected with Governor Ivan Sklyarov's announced support for Moscow Mayor Yurii Luzhkov's Otechestvo party. The governor himself rejects this connection, however, focusing more on the privatization of the factory, which left it without access to oil.

Two years ago there were attempts to give Norsis access to oil reserves. Proponents of the plan wanted to sell 40 percent of Norsis's stock to LUKoil, one of two oil companies in Russia that have excess supplies of raw materials. Unfortunately the federal Property Committee demanded that LUKoil make large cash payments for the deal and LUKoil then demanded the transfer of state shares in Slavneft. Even though several Nizhnii Novgorod representatives then had high level government positions (First Deputy Prime Minister Boris Nemtsov and Fuel and Energy Minister Kirienko), they could not get the parties to reach an agreement. Now Norsis is ready to give away its stock, but no one is willing to take it.

Governor Sklyarov is trying to resolve this problem by sending letters to Prime Minister Yevgenii Primakov, and meeting with the heads of oil companies. However, the governor's critics believe that in the run-up to the presidential elections, Primakov's government, which owns 85 percent of Norsis's stock, is not going to help Sklyarov because he is supporting Luzhkov in the elections. If someone wanted to support Luzhkov, he will give oil to Norsis's competitor, the Moscow processing plant. By already announcing his support for Luzhkov, Sklyarov has deprived himself of the possibility of demanding more support from the Moscow mayor.

At the end of last week, Sklyarov traveled to Tatarstan and officially announced that he was prepared to ask the federal government to give its 85 percent stake in Norsis to Nizhnii Novgorod Oblast so that he could transfer the shares, at least temporarily, to Tatneft and LUKoil in exchange for oil. Tatneft would like to obtain a 44 percent share in

trust for five years since it already owns a 7 percent stake. During the five years, it would have a 51 percent controlling interest. LUKoil could count on obtaining 40-45 percent of the stock. Through their joint efforts these companies could fully supply the Norski refinery. Norski's directors hope to resolve the stock issue in the coming weeks.

For its part, Tatneft wants to gain full control of Norski's products. Such an outcome could be bad for Kostov Raion because if the oil is sold elsewhere, the raion's tax income would be smaller. Norski's management claims that the raion's tax base will not be affected by the deal.

There could also be political consequences of transferring Norski's stock to LUKoil and Tatneft since it would give the oil companies and their supporters considerable influence over Nizhni Novgorod Oblast, a resource that could be very useful as the State Duma and presidential elections approach.

At the moment, however, it is still not clear if the government will give up its 85 percent stake in Norski. - Yury Rodygin in Nizhni Novgorod

POLITICAL PARTIES IN THE REGIONS

ZHIRINOVSKY WELL RECEIVED IN RYAZAN. Liberal Democratic Party of Russia leader Vladimir Zhirinovskiy visited Ryazan on 24 March. The appearance of such a well-known figure is a rarity in the city, although Deputy Duma Speaker Sergei Baburin (representing Omsk) has been several times. Although Governor Vyacheslav Lyubimov was out of town, Zhirinovskiy had a wide range of meetings with local townspeople.

Zhirinovskiy has numerous supporters in Ryazan (his party won 11 percent of the vote in the 1995 State Duma elections, second only to the Communists' 31 percent). People started gathering at the city's symphony hall an hour before the meeting began and the room was filled to capacity by the time Zhirinovskiy took the podium. Security was tight, with guards checking people's packages as they entered the hall. The meeting itself was somewhat disappointing, however. It was very short and Zhirinovskiy seemed tired. His presentation was not as expansive as usual and he had no original ideas.

As usual he denounced the pervasive influence of American culture and argued that pagan religions would be more appropriate for the Russian people. He described the uselessness of economic reform and revolution in Russia. Iran, Afghanistan, and India were his choices for foreign partners for Russia. Zhirinovskiy also advocated the establishment of a state monopoly on alcohol, tobacco, and sugar. He called for a general economic amnesty, but did not go into much detail.

Economics, not elections, should be the center of attention, he claimed. Zhirinovskiy believes that Russia should only elect the president and members of the State Duma. Once elected, the president should appoint all governors and mayors. He would abolish all regional and local legislatures. He concluded by saying that "the economic situation will not get better in the near future, deterioration is assured."

One sign of success for Zhirinovskiy was that during his presentation, the audience did not whistle down the LDPR leader or stamp their feet in protest. After the talk, even Zhirinovskiy's opponents said that they had something to learn from him.

At a meeting of the local party organization, Zhirinovskiy announced a decisive battle against corruption and called on those present to admit that corruption existed even in the ranks of the LDPR, especially its local branches.

During a live television broadcast with Zhirinovskiy, the sympathetic tone of many of the questions was clear. Zhirinovskiy himself said that this was a good time for his party since the worse things get in the country, the more someone like him was needed. The widespread interest in his visit to Ryazan shows that he is probably correct in this view. Leaders like him are always able to exploit the people's desire for simple answers to complex problems (based on material in the newspaper *Priokskaya gazeta*, no. 50-51, *Vechernyaya Ryazan*, no. 12, and the Tele-Ekho TV station, 24 March). - Sergei Postnov in Ryazan

VORONEZH OTECHESTVO ANNOYS BOTH MAYOR AND GOVERNOR. The Voronezh City chapter of Moscow Mayor Yurii Luzhkov's Otechestvo political movement elected its chairman at the end of March. Several well-known Voronezh politicians competed for this position, which is expected to be politically advantageous if Luzhkov wins. Boris Artemov, former assistant to Voronezh Mayor Aleksandr Tsapin, won the spot. Other contenders included former Vice-Governor Aleksandr Moskvitin and Deputy Mayor Dmitrii Zhukov. Tsapin, who fired Artemov some time ago, was naturally angered by Artemov's victory. Tsapin has repeatedly tried to promote his own people in Otechestvo's regional branch (*Novaya Gazeta vo Voronezhe*, 30 March).

For his part, Voronezh Governor Ivan Shabanov is not on good terms with the Voronezh Oblast coordinator of Otechestvo, Dmitrii Rogozin. Rogozin is a State Duma deputy and heads the Congress of Russian Communities (KRO). He is also one of the co-founders of Otechestvo on the federal level. Tension between Rogozin and Shabanov seems to be a recent development. The difficulties began when Shabanov caught wind of rumors that Rogozin intended to seek the oblast governorship in 2000. Shabanov immediately launched a campaign against Rogozin.

In a recent interview, Rogozin voiced concern over some of the Shabanov's initiatives, such as the establishment of a new government system including a regional prime minister responsible for most day-to-day economic issues (see *EWI Russian Regional Report*, 4 February). He noted that such an important step should have been preceded by amending the regional charter, and that the powers of each member of the government should be precisely defined. Rogozin also said that unlike Our Home Russia (NDR), Otechestvo is not trying to get the support of every regional executive, many of whom want to join Otechestvo only to assure their reelection. Such supporters would only be an "unnecessary burden," he said (*Voronezhskiy Vestnik*, 26 March). After all, in the end Rogozin may not run for the Voronezh governor's seat. He is reportedly going to run for governor in Belgorod Oblast instead (*Novaya Gazeta vo Voronezhe*, 30 March). - Andrei Muchnik in Voronezh

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----- Russia's tax reforms are forcing many small businesses to stop their operations. Effectively the federal and regional governments have imposed new sales and imputed taxes without reducing the value-added tax. These poorly planned reforms are doing much more harm than good. (-3)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Increasing Conflict between Kaliningrad Governor, Opposition

Lebed Wins Coal Battle; Loses Berezovsky

Nazdratenko Uses Sales Tax To Discredit Dudnik

Governors and Mayors

Rostov Governor Seeks Greater Control over Mayors

Local Legislature Rejects Ayatskov Choice for Mayor

Center-Periphery Relations

Tver Businessman Call for Extended Liberal Reforms

Elections 1999/2000

Gaidar Gives Tone-Deaf Performance in Novgorod

Political Economy

Despite its Troubles, No One Wants Bankruptcy for Sverdlovsk Plant

Small Business

Small Business Suffering in Komi

Environmental Issues

Organized Poaching Threatens Volga Fish Stock

Foreign Policy

Tatar Troops Will Not Go to Kosovo

Advertisements

Job Opening at IFES

EWI Handbook of Russian Regional Executives

BREAKING NEWS

POLITICS

LUZHKOV PUBLISHES OTECHESTVO MANIFESTO. On 10 April Moscow Mayor Yurii Luzkhov's Otechestvo movement produced its Manifesto, a four-page document which lays out the movement's ideology. The Manifesto opens with the statement "We believe in ourselves and in Russia!" and proceeds to dramatically list the movement's ideals, offering Otechestvo's philosophy in the style of questions and answers. The Manifesto states the movement's primary values as freedom, law and concord and stylizes slogans for each of these values, such as "Concord, power, dignity to the state" and "Freedom, justice, prosperity for each person."

The Manifesto's language and style exhibits elements of impassioned socialist propaganda, though with a democratic, small-market twist. While trying to pull at the heart strings of those who have felt victimized by Russia's out-of-control capitalism and dissatisfied with post-Soviet reforms, the document also seeks to present a practical, business-like portrayal of Otechestvo. It claims that the movement relies on "those who trust practical results rather than fruitless theories and irresponsible experiences."

The Manifesto openly criticizes the "oligarchs" in Russia, who "built their wealth with disregard for the people, the law and morals." It claims that the oligarchs' time is over and that production will be revitalized with "new, zealous managers." The Manifesto calls for the defense of domestic production and domestic access to the country's resources. The document also states that Otechestvo does not agree with those who support a return to the Communism of the past and "creators of the wild market." However, the Manifesto is careful to specify the sort of "Communism" it opposes -- reconstructing the iron curtain, planned economy, etc. Clearly Luzhkov feels that Communist Party leader Gennadii Zyuganov, with whom he speaks regularly, is not among such extremists. (*Nezavisimaya gazeta*, 13 April) The Manifesto also calls for a return to traditional Russian values, claiming, "It is time to admit that many of our troubles come from the fact that Russia has forgotten God." It continues to profess the need for a religious revival that would undoubtedly bring better fortune to the country.

Otechestvo's Manifesto provides a skeleton structure of the movement's ideals. It is void of a platform explaining the movement's positions on specific issues or proposals on how its ideals should be transformed into concrete policy. Documents providing this information are expected to be unveiled at the movement's convention in Yaroslavl next week. (*Vremya MN*, 13 April) At a press conference with INTERFAX, Luzhkov reminded journalists who doubted the expediency of the document of the importance of the Communist Party Manifesto played in its own time. (*Nezavisimaya gazeta*, 13 April)

In commenting on the manifesto, Luzhkov categorized the movement's principles as social-democratic, emphasizing consolidation, dialogue and compromise. Luzhkov also said that he was willing to discuss issues with any political structures and systems, except extremists. (*Vremya MN*, 13 April)

Additionally, Luzhkov noted that the belief that Otechestvo is not liked in Russia's regions is nothing more than a myth. He cited the recent success of Otechestvo-supported deputies in the elections for the State Council of Udmurtiya, where they won 42 seats in the 100-person assembly (see *EWI Russian Regional Report*, 7 April). Luzhkov claims that today Otechestvo stands second behind the KPRF on Russia's political ladder, but that tomorrow it will be first. (*Nezavisimaya gazeta*, 13 April) Such confidence is clearly captured in the Manifesto's final statement, "Our time has come."

LDPR REGIONAL LEADER SHOT IN ST. PETERSBURG. The head of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia (LDPR) in St. Petersburg and Leningrad Oblast, Gennadii Tuganov, was shot and killed on 9 April in St. Petersburg. Zhirinovskiy claimed the assassination was political and that Tuganov was killed because he tried to prevent criminals from using the LDPR party list to win State Duma seats. He said that Tuganov "knew too much." The LDPR leader also speculated that the crime is related to his own candidacy for the Leningrad Oblast gubernatorial elections, set for this September. According to Zhirinovskiy, at a recent meeting in Moscow Tuganov

mentioned nothing of death threats but did ask Zhirinovskiy to postpone a scheduled trip to St. Petersburg on 11 April. St. Petersburg Governor Vladimir Yakovlev promised Zhirinovskiy that he would take the murder investigation under his personal control. This has been the fifth contract killing of an LDPR party member since April 1998. (*Moscow Times*, 13 April, *Kommersant Daily*, 10 April)

CONTROVERSY PRECEDES KEMEROVO ELECTIONS. The 18 April elections for the Kemerovo Legislative Assembly (which will be renamed the Kemerovo Oblast Council of People's Deputies after the election) are already plagued with controversy. More than 60 candidates claim there have been severe violations of the electoral law involving the registration and activities of the recently formed bloc supporting Kemerovo Governor Aman Tuleev. The present deputies complain that the oblast media works only for Tuleev's candidates. Non-Tuleev candidates claim that contenders from Tuleev's bloc have demanded that they relinquish their candidacy, threatening them with unemployment. They have demanded that a special commission from Moscow rectify the situation by ending the violations. There are 189 registered candidates competing for 35 seats; however, if the registration of Tuleev's bloc is deemed invalid, the number of contenders will be decreased considerably. (*Izvestiya*, 13 April)

One of Tuleev's most vocal opponents is the chair of the Legislative Assembly, Aleksandr Filatov (see *EWI Russian Regional Report*, 25 March). Filatov's relations with Tuleev have deteriorated considerably following the oblast-wide launch of a slanderous campaign against Filatov. Filatov criticized Tuleev's campaign methods in the Federation Council and recently announced "If I had a gun, I would shoot Tuleev." (*Kommersant Daily*, 13 April)

The strongest competition to Tuleev's bloc comes from the Moscow Metallurgical Investment Company (MIKOM), a financial group that controls a sizable part of Kemerovo's industry, including the Kuznets Metallurgical Combine, the Novokuznets Aluminum Factory and the Prokopenvskugol coal company. (*Kommersant Daily*, 13 April)

STAVROPOL CLOSES CHECHEN BORDER. On 6 April four policemen were killed in the Kursk raion of Stavropol Krai bordering Chechnya. This was the last straw for Stavropol Krai, where over the past few months violence has intensified along the border with Chechnya, and on 7 April Stavropol Governor Aleksandr Chernogorov closed the border. The measure was needed to secure the safety of the Stavropol border region, which has continually been subjected to acts of armed conflict, kidnappings and murders involving Chechen assailants, Chernogorov said. (*Nezavisimaya gazeta*, 8 and 9 April)

Other Russian regions bordering Chechnya have also had recent increases in terrorism. Since the end of March three Russian Orthodox priests have been kidnapped in the North Caucasus, as well as an employee from the North Osetian ministry of internal affairs traveling to Chechnya and an entire police detail from Ingushetiya. (*Kommersant Daily*, 9 April) Russian Orthodox leaders in the North Caucasus have not yet decided whether to send new priests to the churches from which the three priests were abducted since these events have increased tensions between Christians and Muslims in the area.

ANOTHER ASSASSINATION ATTEMPT ON MASKHADOV. On 10 April Chechen President Aslan Maskhadov was the victim of another assassination attempt. A remote controlled landmine was placed along Maskhadov's route to the Starie Atagi village, where he was scheduled to give a speech commemorating the Day of Universal Reconciliation. The landmine was discovered and destroyed prior to Maskhadov's arrival. This is the sixth assassination attempt on the Chechen president in the past four months. Prior to the 10 April incident, the most recent attempt occurred on 21 March when assassins tried to bomb Maskhadov's car near his residence in Grozny (see *EWI Russian Regional Report*, 25 March 1999).

YELTSIN AGREES TO MEET MASKHADOV. Boris Yeltsin is ready to meet with Chechen President Aslan Maskhadov. *Vremya MN* reported that the meeting could take place in the near future as long as Maskhadov does not suggest any "unconceivable conditions." Yeltsin's decision to meet with Maskhadov was influenced greatly by the pleas of North Caucasian regional executives, in particular Ingushetiya President Ruslan Aushev. Aushev appealed to Yeltsin on behalf of all North Caucasian leaders, arguing that it was necessary for Moscow to conduct a dialogue with Maskhadov, even if it does not lead to any concrete decisions. (*Vremya MN*, 13 April)

Yeltsin has also decided to use the suggestions of regional leaders when formulating his approach to Chechnya. At Aushev's recommendation, Yeltsin will appoint a special presidential representative as a mediator between Grozny and Moscow. The Russian Security Council will confirm the appointment. The presidential administration thinks that this position should be filled by one of the regional executives in the North Caucasus. It feels that Aushev would be the best candidate, especially since he has already taken de facto control of the role as mediator between Moscow and Maskhadov. (*Vremya MN*, 13 April)

CHECHENS REOPEN PIPELINE. On 12 April the Russian Finance Ministry paid off its 65 million ruble debt to Chechentransneft for oil transport along the Baku-Novorossiisk pipeline. The pipeline was closed two weeks ago and Chechentransneft refused to reopen it until the debt had been paid (see *EWI Russian Regional Report*, 1 April). (*Vremya MN*, 13 April)

LUZHKOV BATTLES WITH CITY DUMA OVER SALES TAX. On 7 April the Moscow City Duma unanimously overturned Moscow Mayor Yurii Luzhkov's proposal to increase the city's sales tax from 2 percent to 5 percent. This was the first time in two years that the Moscow City Duma voted unanimously against one of the mayor's proposals. Luzhkov had proposed the increase because changes in federal tax legislation are causing the city's 1999 budget to lose approximately 6.9 billion rubles in revenue. Luzhkov feels that Moscow must supplement the city budget through any means possible, in particular raising the sales tax. Social expenditures would have to be cut if the sales tax remained at 2 percent, Luzhkov warned. However, Duma deputies claim that the deficit would not be covered by the additional sales tax revenues (*Segodnya*, 8 April, *Kommersant Daily*, 8 April.)

LUZHKOVSOLIDIFIES GRIP ON TV TSENTR. The city of Moscow will receive 100 percent of the stock in the television channel TV Tsent, according to a decision made at a 12 April meeting with Moscow Mayor Yurii Luzhkov. The city already owns a 67 percent share in the channel. The broadcaster will play an integral part in Luzhkov's presidential campaign. (*Segodnya*, 13 April)

ECONOMICS

BMW WILL OPERATE IN KALININGRAD. On 8 April Germany's BMW signed an agreement with Avtotor-Holding and Vital to produce BMW automobiles and the Land Rover Defender vehicles in Kaliningrad. This is the first large-scale project to be initiated in Russia since the August 1998 financial crisis shook the economy. BMW board member Horst Teltschik explained that the planning for the project was completed on 9 August 1998, but that the crisis then required all of the calculations to be reconfigured.

Production will take place in the naval ship building factory Yantar, which has been converted for automobile production. BMW chose Kaliningrad largely because of the special tax and customs breaks offered in the region's free trade zone. BMW also cited the oblast's highly qualified work force and year-round port facilities as factors in their decision. The company's initial investment will be DM50 million to renovate the Kaliningrad facility to be on par with other BMW factories. BMW then plans to invest another DM75 million in marketing the automobiles.

BMW will be the first luxury car produced in Russia. Currently, only less expensive cars like Korea's Daewoo and Kia, European Ford Escorts, and American Chevrolet Blazers, which sell for under \$30,000, have been produced in the CIS. BMW claims that automobiles made at the Kaliningrad facility will be 20 percent less expensive in Russia than similar European-made cars. One of the reasons for the lower price is to make Kaliningrad BMWs competitive with BMW automobiles sold illegally by "gray dealers." An estimated 120,000 BMW automobiles are in Russia, yet BMW has only sold 4,500 cars there over the past five years. BMW is aware that its cars are expensive for Russian consumers. Based on its Russian sales last year, the company will this year produce 650 cars and 450 Land Rovers and hopes to gradually increase its production to 10,000 automobiles annually. Exporting BMW automobiles produced in Kaliningrad to other countries has not yet been discussed. (*Kommersant Daily* and *The Moscow Times*, 9 April, *Izvestiya*, 13 April)

PATTERNS OF REGIONAL DEVELOPMENT

INCREASING CONFLICT BETWEEN KALININGRAD GOVERNOR, OPPOSITION. The Kaliningrad Oblast media are abuzz with rumors that an attack against Governor Leonid Gorbenko is being prepared (*Kaskad*, 6 April, and *Kaliningradskaya pravda*, 7 April). The scandal began when former Governor Yurii Matochkin, now the head of the Regional Strategy Foundation, received a letter which described the possibility of "physically eliminating" the current governor and replacing him with Matochkin. Gorbenko defeated Matochkin in a bitter gubernatorial election held on 20 October 1996.

Matochkin said that "this piece of paper would encourage the governor to start an informational attack on my foundation and me personally. Who benefits from this? First, the governor's staff is objectively interested in discrediting our foundation because it considers the foundation a political opponent. Second, the failed ideologists on his team hope to improve their position in the eyes of the governor by stirring up these tensions. Third, on the eve of the elections, a notorious "third force" has decided to heat up relations between the authorities and the so-called opposition. The appearance of this phony document marks a new stage in political life - the beginning of the electoral campaign long before its official start."

It did not take long for Gorbenko to reply. The governor's press service announced that "Matochkin and his subordinates are seeking to find a way to discredit the governor." The service said that the event was an "opposition attempt to insult the governor's honor and dignity."

Observers believe that until the appearance of the letter, the governor's opposition, made up of several representatives of political and social organizations, was relatively uncoordinated. But the letter and particularly the governor's reaction to it showed the opposition that its leader is clearly Matochkin. Only time will tell whether this analysis bears out. - Yekaterina Vasileva in Kaliningrad

LEBED WINS COAL BATTLE; LOSES BEREZOVSKY. Last week brought a final conclusion to Krasnoyarsk's coal battle. The victorious Governor Aleksandr Lebed signed an agreement with Prime Minister Yevgenii Primakov in which the Fund for Gubernatorial Programs would pay off all of the Krasnoyarsk Coal Company's (Krasugol) debts. Additionally, the board of directors of the company will be re-elected, with krai representatives taking no fewer than half of the seats. And, according to World Bank demands, the stock for three Krasnoyarsk coal mines will be auctioned off. Preliminary estimates place the value of these stocks at \$200 million, half of which will go to the krai.

More good news for Lebed came when Deputy Minister of Internal Affairs Vladimir Kolesnikov announced on 9 April that he was filing criminal charges against Anatolii Bykov, a Lebed opponent who is the chairman of the Krasnoyarsk Aluminum Plant (KrAZ) board of directors and a deputy of the krai's Legislative Assembly. Bykov is accused of illegal money laundering and illegally privatizing important regional enterprises such as KrAZ, Achinsk Alumina Combine (AGK), and coal mines. Kolesnikov said that Bykov was in the US and wanted him to answer questions when he returned.

That day Bykov called the KrAZ press service to say that he was not in the US, but convalescing, and would soon return to Krasnoyarsk. He said that the investigation had been ordered by Lebed as an attack on him. Bykov has already announced that he will seek a seat in the State Duma in the December elections in order to win legal immunity and defend himself and his empire.

In the minus category for Lebed, however, was the news that an arrest warrant had been issued for his patron Boris Berezovsky. According to Communist Krai Assembly deputies Oleg Pashchenko and Vsevolod Sevastyanov, Lebed took the news badly. The deputies said that he sat in his office for four hours without talking to anyone. Lebed told local television that "This is bankruptcy of the regime. ... I am embarrassed

for the country." - Pavel Avramov in Krasnoyarsk

NAZDRATENKO USES SALES TAX TO DISCREDIT DUDNIK. On 1 April the Primorskii Krai Duma introduced a 5 percent sales tax. Adopting the sales tax severely damaged the prestige of the deputies, in particular Duma Chair Sergei Dudnik, who has become the main political opponent of Primorskii Krai Governor Yevgenii Nazdratenko.

Immediately after the tax was introduced Dudnk and his colleagues met with a swarm of criticism. Public opinion claims that the law does not correspond with the present reality since the krai's population lacks the resources to pay the new levy. Even though vital goods such as bread, salt, milk, sugar, and baby food are not taxable, all money will stay in the region's treasury, and 16 other taxes were abolished has not satisfied anyone. The majority of the taxes that have been abolished were rather insignificant to the average person, such as taxes on gambling, the use of local symbols, resale of automobiles and computers, and even ownership of dogs (of which the canine-owning author of these line had never heard). The most advantageous tax benefit, as promised by the federal government, is decreasing the Value Added Tax (VAT) (the maximum rate presently is 20 percent), which is unlikely to happen given the demands of the International Monetary Fund.

The controversy surrounding the sales tax has become more intense since Nazdratenko's administration has decided to use it as an opportunity to discredit the krai дума (aside from Dudnik, the majority of the legislative assembly belongs to the Nazdratenko opposition United City bloc). Immediately after the 5 percent tax mark-up appeared on store goods, the local media was full of attacks on the "anti-people deputies" from Vice Governor and State Duma candidate Konstantin Tolstoshein. According to Tolstoshein, Nazdratenko refused three times to sign the draft bill put forth by the krai дума. Other officials from the krai administration and their supporters also appeared in the media. Among the criticisms was the fact that the дума chose to set the tax at the maximum level approved by Moscow.

Tolstoshein's statements outraged the krai дума deputies. Yurii Rybalkin, Chair of the krai дума's Economics Committee announced that Tolstoshein himself, as acting governor, had signed a proposal to the дума introducing the sales tax on 8 October 1998. Furthermore, the deputies had wanted to put the law into effect only on 1 January 2000, but on 16 March Nazdratenko's administration proposed starting the tax on 1 April to help offset the regional budget's 30 percent deficit and the increasing problems it is encountering receiving monetary transfers from Moscow. The deputies are planning to call Tolstoshein to an extraordinary session of the Дума to explain his inconsistencies.

If not before, now the majority of the krai's population blame Dudnik and his дума for the fall in its standard of living. Of the main media outlets, only the capital's *Komsomolskaya Pravda* presents the дума's side of the argument. In other newspapers Nazdratenko's supporters angrily demand that the "anti-people law" be repealed. The deputies are planning to press charges against Tolstoshein for providing untrue information to the television-radio company "Vladivostok" and several krai newspapers. - Yevgenii Popravko in Vladivostok

GOVERNORS AND MAYORS

ROSTOV GOVERNOR SEEKS GREATER CONTROL OVER MAYORS. The administration of Rostov Governor Vladimir Chub is seeking ways to exert control over the region's mayors, who are now elected by their constituents and are no longer directly subordinate to the governor. The problem began in 1996-97, when the mayors of the oblast's 64 local jurisdictions were elected and gained their formal independence from the governor. More than 10 of the mayors openly sympathize with the Communist Party, while Chub was initially appointed by Yeltsin in 1991 and subsequently won election to his office. Even the "nonparty" mayors often govern with little regard for the governors' interests. The governor can no longer simply remove the mayors, but he wants to maintain control, particularly in the run up to the December State Duma elections when the economic situation in many of the raions is difficult.

During 1997 and 1998, the oblast administration tried to use "moral and material" incentives. At quarterly meetings of the oblast elite, the "good" mayors were presented as models while the "bad" ones were criticized and threatened with investigations seeking to reveal all dirt. Chub openly asked the press to show how the mayors were performing in their regions. The oblast officials also tried to give the "bad" mayors fewer subsidies and credits. No one in the oblast administration would admit to this practice, but the mayors often complained to each other about how the oblast would pressure them with the dispersal of funds.

It is difficult to influence powerful rural mayors with moral stimuli, and the manipulation of subsidies is a two-edged sword. Reducing subsidies to a rural area punishes both the leader and the people. Public sector employees don't receive their pay and the socio-economic situation deteriorates. The anger of the local populace is usually not directed against the mayor. In fact, in most cases the mayor can convince his constituents that the oblast authorities are largely responsible for the problems.

Changes in the governor's administration demonstrate the extent of the problem caused by the newly elected mayors. Whereas before only the head of the Control Department dealt with the mayors, now two vice governors handle them. One of the vice governors, Sergei Kuznetsov, is the deputy governor for organizational questions; the other, Valerii Khripun, is deputy for monitoring, information and ties with the population. Both had worked in the Control Department and their promotion shows how much attention the authorities are giving to this problem.

At the end of last year, Governor Chub had a new idea. In December 1998, he issued an order setting up the so-called informational groups. According to the decree, each deputy governor is assigned to cover a group of raions. The vice-governor and his deputies must occasionally visit the area, meet with citizens there, inspect the activity of the mayors, and explain the policies of the oblast authorities. Many mayors in the more distant raions rule according to their own preferences and rarely come to Rostov-na-Donu, the oblast capital, so there is little information about what they are up to.

This new system helps to reestablish the central control that once existed. At the very least, the mayors feel the constant presence of the "governor's yoke" and the governor receives information about the real state of affairs in the raions. These informational groups work as an alternative to other mechanisms of oversight in the constitution. Now, in effect, the governor has a personal representative in each raion, a solution that is more effective and reliable. Of course, gathering information alone does not solve the problems, since the mayors are elected by the people. However, the

information does lay the basis for procurator investigations. Additionally, the appearance of a vice-governor in a rural district allows the oblast administration to work directly with the population and gives the official the chance to quickly resolve local problems, sometimes upstaging the local mayor and calling into question his effectiveness.

The electoral aspect of this technique of sending the vice governors to the raions is very important. It was first used during the gubernatorial elections of September 1996. Then the raions were divided among deputy governors and prominent oblast officials and each was made personally responsible for working in certain parts of the oblast. Chub defeated his opponent, State Duma Deputy and Rostov Communist Party leader Leonid Ivanchenko, by a 62-31 margin, handing the Communists an unexpected defeat.

Despite this new form of oversight, Chub likes to claim that he builds his relations with the mayors through professional rather than political ties. For example, he has good relations with Tatsin Raion head Malyshkin, a member of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia, and Communist Bataisk Mayor Kolomeitsev.

The local information that the Rostov authorities are collecting will be invaluable during the elections. The oblast administration is trying to solve the problem of monitoring and managing the raions through information. While some may see that move as a return to the command system of centralized control, it is nevertheless a step toward an information-based society and information-based management. - Andrei Miroshnichenko in Rostov

LOCAL LEGISLATURE REJECTS AYATSKOV CHOICE FOR MAYOR. For the first time in the two-and-a-half year tenure of Saratov Governor Dmitrii Ayatskov, a local council has openly expressed its dissatisfaction with his style of leadership. The members of the Representative Assembly of the city of Marx, 50 km from Saratov, on 12 April refused to confirm the appointment of a new mayor to replace former Mayor Ivan Kosyrev, whom Ayatskov sacked the week before.

Ayatskov became dissatisfied with Kosyrev after the governor's candidate lost a by-election to the Saratov Oblast Duma from the Marx district. Then Kosyrev tangled with several agricultural interests who have good connections in the oblast capital. The conflict followed Kosyrev's actions to defend the city's interests in regard to a local grain elevator, harming the personal fortunes of the agricultural interests close to Ayatskov.

On the night of 7 April, Ayatskov summoned Kosyrev to Saratov and forced him to resign from his position. According to the Saratov Oblast charter, mayors are elected by local councils from among their membership at the recommendation of the governor. The mayor is also fired by his colleagues at the recommendation of the governor. In the case of firing, the governor has the final word. This provision was built into the oblast charter to give the governor greater control over the localities. However, the deputies have the final say in appointing the mayor.

Initially, the deputies refused to sanction Kosyrev's removal. However, under pressure from the governor, they finally agreed to unseat him. However, to show their anger that Ayatskov was acting without taking their interests into account, they refused to approve the governor's choice, agricultural enterprise director Nikolai Dorovskii, as mayor. Instead they proposed two of their own candidates. The deputies' move shocked the oblast authorities so much that Saratov Oblast Prime Minister Vladimir Yegorov and his deputy Aleksandr Durnov immediately went to Marx. However, they were not able to

get the local council to accept the governor's decision. Now both sides have taken a break to decide how to proceed. - Yuliya Yeliseeva in Saratov

CENTER-PERIPHERY RELATIONS

TVER BUSINESSMAN CALL FOR EXTENDED LIBERAL REFORMS.

Articulating the mood of many businesspeople in Tver, Co-chairman of the Tver Union of Entrepreneurs and Director of the ANTEK trading company Nikolai Kaprov sharply criticized the economic policies of Prime Minister Yevgenii Primakov in an interview with *Veche Tveri* (7 April). Kaprov said that his prediction last year that the government would simply print money and administratively set the dollar-ruble exchange rate had unfortunately come true (see *EWI Russian Regional Report*, 9 July 1998). Last year Kaprov was criticizing the government of Sergei Kirienko, but he feels that the current situation is much worse. He is particularly upset that the government not only failed to reduce the tax rate, but has, in fact, increased it. "They have introduced a sales tax, but have not reduced the value-added tax and the profit tax. Income tax and property tax have gone up. As a result the authorities have simply increased the speed at which the country is collapsing and the population becoming impoverished. The government has simply not adopted measures to revive the economy or increase real income," he said.

The government, Kaprov continued, does not want to follow the fundamentals of a market economy or even learn them. He believes that the main problem in Russia is massive state intervention into the economy. He charges that there are too many people working in the state sector, taxes are too high and that the state spends too much of Russia's GDP. The main problem is not the conduct of liberal reform in Russia, he said, but inconsistency in carrying it out. Primakov is simply continuing the course set by former Prime Minister Viktor Chernomyrdin, only wrapped in the packaging of statist rhetoric and enacted with even less consistency, Kaprov claimed. This strategy, he believes, will accelerate the decline of the country and reduce its international standing, as witnessed by the western powers inattention to Russian concerns in Yugoslavia.

To save the country from economic catastrophe, Kaprov recommends that the parliament recognize the need for radical economic reform and vote for liberals in the December State Duma elections. He believes that people should understand that it is necessary to reduce taxes and the expenditures of the state, make budgets transparent on all levels of government, liquidate monopolies in all spheres of market activity, remove limits on the import of new technologies, etc. In the December State Duma elections, Kaprov predicted, Moscow Mayor Yurii Luzhkov's Otechestvo and Grigorii Yavlinskii's Yabloko could win a majority, and one of those men could go on to win the presidency. According to such a scenario, Russia could experience a great economic upswing. Otherwise, the country could face five to ten years of further impoverization.

While many businesspeople may support Karpov's views, it is not clear if the voters will. - Boris Goubman in Tver

ELECTIONS 1999/2000

GAIDAR GIVES TONE-DEAF PERFORMANCE IN NOVGOROD. Former Acting Prime Minister Yegor Gaidar visited Novgorod Oblast on 12 April to solicit support for his Pravoe delo political party. However, his performance at two of the meetings he held

showed the difficulty this well-known politician still has in presenting his ideas to the public.

At a meeting with over 500 small and medium business people with extensive practical experience, Gaidar gave a 20 minute speech in which he described the well-known problems with the current tax system and laid out a typical set of criticisms of the current government. Many in the hall felt that Gaidar had become confused about his audience, believing he was lecturing a high school social science class rather than experienced businesspeople.

The gist of Gaidar's argument was that in democratic countries there are generally two parties, one of tax payers and one of people who receive state subsidies. Russia is different because it does not have a party of tax payers. The parliament approves a variety of spending plans even though everyone knows that there is no money for them. He said the country will not overcome its budgetary crisis until there is such a party. He said that *Pravoe delo* is a new political organization of tax payers that is capable of leading Russia out of crisis. The audience smiled and applauded when Gaidar finished, but did not ask him a single question.

In a meeting with representatives of local democratic parties, Gaidar spent much of his time explaining his position on events in Yugoslavia. But most of the audience was interested in events in Russia. Chairman of the Novgorod United Democratic Center Igor Aleksandrov asked Gaidar's opinion about a letter from a number of prominent western economists that had been addressed to Mikhail Gorbachev in 1991. The text involved detailed analysis of land rents. Gaidar replied, "I personally know many scholars in the west and know how they sign such letters." Aleksandrov retorted, "I did not expect such an impolite (*netaktichnii*) answer from you."

Insulting foreign colleagues in such a way is unacceptable. Some may say that "Gaidar has not degenerated. He has always been that way. Instead the political culture of Russian citizens has grown." And perhaps that is true. - Ivan Novgorodskii in *Velikii Novgorod*

POLITICAL ECONOMY

DESPITE ITS TROUBLES, NO ONE WANTS BANKRUPTCY FOR SVERDLOVSK PLANT. Sverdlovsk Governor Eduard Rossel has personally intervened to improve the rapidly deteriorating situation at the Nizhnii Tagil Metal Combine (NTMK), one of the most important factories in the region. A special meeting of the oblast government determined that NTMK was responsible for halting production at all of the region's pipe-making plants, which in turn threatens the region's spring sowing campaign. NTMK General Director Anatolii Shevtsov was appointed to the position by Rossel six months ago and has not been able to show any improvement at the plant.

The plant, which has an 800 million ruble annual budget, is currently facing a 250 million ruble deficit, already has huge debts, and is continuing to lose money. Raw material supplies are irregular while middlemen grab much of the plant's income. Moreover, NTMK has not been able to increase its exports despite the drop in the value of the ruble.

In terms of supplying other regional factories, NTMK now only provides products to those who can pay in advance, a very small percentage of the oblast's plants. With the

current inflation rate, however, it does not make sense to sell to the plants on credit. NTMK is not hampering the sowing campaign out of malicious intent, but it is simply not profitable to produce products for which it is not paid. The government is angry, however, because it has already written off some of NTMK's tax debt in exchange for these very products.

Rossel gave Shevtsov until June to improve the situation at the factory. Rossel said that he would demand the removal of NTMK Board of Directors' Chairman Aleksandr Katunin at the next shareholders' meeting since he had not given the oblast government a 25 percent share of NTMK's stocks to be held in trust as had been agreed earlier.

In some senses, NTMK is being held responsible for all the problems of the Russian economy. By not supplying metal to other factories it causes problems, but it too is hindered by the delinquency of its own raw material suppliers. Now, as six months ago, NTMK is being threatened with bankruptcy. In particular, Tagilenergoremont is suing NTMK for the more than 40 million rubles it is owed. However, most of the groups who have financial interests in NTMK do not want to see it bankrupted.

Eurasian Metal, one of Russia's largest metals trading firm who is represented on the NTMK Board by Katunin, rejects bankruptcy because then it would lose the plant and money because the factory's stocks would become valueless and the property would be taken away. Also the firm would lose the ability to sell the plant coal.

The oblast authorities would not benefit from the bankruptcy because such a procedure would not improve the regional economy and many people would be left without jobs. However, the oblast might want to take control of the factory so that it would work exclusively in the interests of the region rather than Eurasian Metal. Rossel has said that he would like to concentrate the firm's stock in the hands of one owner and is eager to get a hold of the 25 percent stake it has already agreed to take over in a trust arrangement. The NTMK Board, however, claims that there is no procedure for such a takeover.

NTMK's railroad and energy suppliers also have no interest in bankruptcy even though NTMK owes them considerable sums. If NTMK went out of business, then the Railroads Ministry would have to find another supplier for its rail tracks. Sverdlovenergo needs the rails, which Kazakhstan is eagerly buying up, to pay for the coal it receives from that country.

Thus, no one has an interest in bankrupting NTMK, but all are seeking to use the difficult situation to their benefit. The battles are likely to intensify until some sort of balance of powers is reached.

Naturally, there are many political aspects to the factory's problems as well. NTMK is extremely important for the economy of Nizhnii Tagil. The mood in the factory determines much of the public opinion in the city. The talk of bankruptcy procedures has frightened many of the employees who fear that they will lose their job. If Governor Rossel is able to impose order at the plant, the people will naturally have positive feelings toward him on election day. - Natalya Mints in Yekaterinburg

SMALL BUSINESS

SMALL BUSINESS SUFFERING IN KOMI. Despite the declarations of federal authorities and many regional leaders to support small business, the situation for small-scale entrepreneurs continues to worsen. The main cause is the adoption of the federal law on imputed income (Federal Law no. 148-FZ of 31 July 1998). Numerous specialists have pointed out that this method of collecting taxes is simply not acceptable in Russia under current conditions. Many regions have already suffered problems from the implementation of this tax and Komi is no exception.

The number of small businesses in the republic has dropped by more than 50 percent since the introduction of this tax on 1 January. The vast majority of enterprises are unhappy about how the tax is collected. Numerous businesspeople have sent letters to the authorities asking that the law be amended. Many entrepreneurs believe that the new tax increases their tax burden by two to three times, complicates accounting procedures, and for no reason demands payment up front.

Each region can determine the procedures for collecting the single tax, and regional authorities are using their leverage to fill state coffers. The regional tax authorities generally support the new tax because they hope that it will increase their ability to collect taxes. Unfortunately, preliminary data suggests that there will not be an increase in the amount of taxes collected. But there will most certainly be an increase in the unemployment rate.

According to the republic's tax inspectorate, as of 1 March, 2,247 firms involved in market trading (41 percent of all firms involved in this kind of business) decided to start paying the imputed tax, while 2,262 temporarily suspended all operations. Among the entrepreneurs providing transportation services, 318 people (21 percent) agreed to the new tax and 906 said that they were suspending activities. Obviously many of the small businesses cannot bear the new burden.

According to the data for 1998, all market traders paid taxes of 2.7 million rubles, or 492 rubles per business. In 1999, based on the smallest imputed tax, one market trader must pay 3,264 rubles, or 272 rubles a month. For those providing transportation services, the tax rose from 1,096 to 6,493 rubles (*Respublika*, 3 April).

The February and March sessions of the Komi State Council discussed amendments to the law, but could not agree on their content. It is clear that the law must be seriously rewritten and not merely amended, since during times of crisis small businesses are best able to adapt to quickly changing conditions. If this doesn't happen, we can expect a deterioration on the goods market, an increase in unemployment and a drop in tax revenues. - Yuri Shabaev in Syktyvkar

ENVIRONMENTAL ISSUES

ORGANIZED POACHING THREATENS VOLGA FISH STOCK. Long-time residents of Volgograd remember the days when their city was the "fish capital" of Russia. Situated on the Volga, Russia's largest river, the city once known as Tsaritsyn had a unique coat of arms that included three sterlets (from Saratov's coat of arms) plus two sturgeon -- the symbol of local fishing. Caviar was not expensive in the city, even in the 1970s (although it was only available on the poachers' "black market").

Unfortunately, the sturgeon population in the Volga began to decline steadily in the 1960s following the construction of several chemical enterprises in river cities. The

subsequent construction of the so called "Volga Cascade" of hydro-electric stations, which spanned the river, blocked the sturgeon's upward migration every spring.

The southernmost station in the Cascade is the Volzhskaya Hydro Electric Station (GES), located just north of Volgograd. Every spring during the 1970s and 1980s, the plant's turbines killed a huge number of sturgeon and sent their bodies floating down the Volga. The by-pass designed for the fish was not as effective as its designers had hoped. Moreover, the sharp fluctuations in water levels caused by the GES (whose main priority was maximum energy production, rather than environmental protection) destroyed the traditional caviar production grounds down river from the plant.

The economic crisis that began in the early 1990s and the rise of environmental movements in Volgograd offered some relief: the GES was forced to shift to a more environmentally sensitive work schedule and industrial enterprises were essentially idled, creating an economic problem that had the benefit of reducing pollution in the Volga.

Today, the situation is again becoming critical. Poachers are the main problem. They are no longer "the good guys" of the Brezhnev era, fishing independently and selling caviar to Volgograd residents. While some poachers from that time were supported by state officials, their output was relatively modest. Now large, organized groups have made poaching a highly profitable business. Most of the caviar is sent abroad. The short strip of Kalmykia's access to the Volga, downriver from Volgograd, is where most of the poaching takes place.

The Volgograd Regional Committee on Ecology last week held a meeting on river fishing resources. Special Procurator for Environmental Issues Vinogradov told the audience that 92 percent of all the cases his office is investigating are connected with the Volga fisheries. Since the beginning of 1999, more than 200 new criminal investigations have been launched against poachers, and about 10 percent of all Russian fishing crimes took place in the Lower Volga region. The current situation was blamed on lack of legislation, poor monitoring of the river, and conflicts between various regions and bureaucracies. The meeting's organizers vowed that the federal authorities are preparing to take action against the poaching. - Ivan Kurilla in Volgograd

FOREIGN POLICY

TATAR TROOPS WILL NOT GO TO KOSOVO. Tatarstan President Mintimer Shaimiev believes that it would be immoral to send volunteer troops to Yugoslavia. According to Shaimiev, those who suggest sending volunteers are not considering the interethnic basis of the Balkan conflict. "In a multi-national state like Russia it is inadmissible to send volunteer battalions under any pretexts or slogans."

Shaimiev has two arguments for this point. First, sending volunteers to Yugoslavia would cause Russia to divide along ethnic and religious lines. What would happen if Vladimir Zhirinovskiy's LDPR mobilizes volunteers in Tatarstan for defending Serbs, and the All-Tatar Public Center prepares troops to protect the Albanian Kosovars? "These people, who come from the same republic where they live in peace and inter-ethnic accord, will begin to shoot at each other. There will be deaths on both sides, why do we need this? This is not an issue for Tatarstan alone, but for all of Russia, where Christians and Muslims live," Shaimiev noted. He warned that Yugoslavia's interethnic

conflict could spread into Russia. Shaimiev believes that by sending volunteers, the state would be dividing its own people along ethnic and religious lines.

Second, the Tatarstan president noted that volunteer troops coming from Russia would consist primarily of young people who will fight for money as mercenaries. "Tomorrow mercenaries will return to Russia knowing only how to kill. In our conditions, they will be a potential danger. What is most horrifying, is that drawing them into the Yugoslav conflict predetermines the subsequent hopelessness of their fate."

Shaimiev announced that Tatarstan's leadership will do everything possible to ensure that not a single volunteer from the republic is sent to Yugoslavia. He is against offering military support to Yugoslavia and stated that "Yugoslavia does not and will not have the strength to withstand NATO forces, thus the only way to stop the conflict is through political negotiations." The State Council of Tatarstan adopted a statement proclaiming that the republic would not support the participation of republican volunteers in military activities in Yugoslavia (*Izvestiya*, 10 April). The State Council decided to adhere to diplomatic measures, stating that Tatarstan's experience peacefully surmounting its own challenges as a multi-ethnic republic in Russia while preserving the integrity of the Federation could serve as an example for overcoming the conflict in Kosovo. Although Shaimiev is against military engagement, he does support sending humanitarian aid to refugees regardless of their nationality or religious affiliation. The presidium of the Kazan branch of the All-Tatar Public Center has appealed to Shaimiev to accept Kosovar refugees in Tatarstan, a request they expect to be granted (*Segodnya*, 13 April). - Midkhat Faroukshine in Kazan

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EastWest Institute
Russian Regional Report
Vol. 4, No. 15, 21 April 1999

Russian Cohesion Index: -2 (down 1 this week)

Disintegration.....T.L.0.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

+++++ President Yeltsin offered the governors more autonomy in a 20 April meeting. Unfortunately, the proposal is motivated more by short-term political interests than a real commitment to reforming federalism. To his credit, Yeltsin has been a consistent decentralizer. (+2)

+++++ Corruption in the military remains a big problem, but Defense Minister Igor Sergeev has launched an innovative experiment in Rostov to use the media in fighting bribe-taking among officers. (+1)

+++++ Political parties in Bryansk are learning to set aside their differences to work together for the good of the region. Such incipient cooperation could have big pay-offs later. (+1)

----- Russian political parties continue to proliferate, preventing serious groups from winning the 5 percent they need to enter the State Duma on the party-list voting. A new regional bloc is forming to compete with Golos Rossii; Yabloko continues to reject any alliances with other democratic parties. (-1)

----- Governors such as Chelyabinsk's Petr Sumin continue to increase their influence over regional enterprises. Their main goal is preserving jobs rather than promoting economic efficiency. (-2)

----- Empty discussions about establishing a Russian-Belarusian-Yugoslav union are raising tensions between ethnic Russians and the country's Muslim population. (-2)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Patterns of Regional Development

Bryansk Governor's Social Chamber Discusses Oblast Problems

Voronezh's Shabonov Seeks To Subordinate Local Government

Interview with Boris Nemtsov

In Saratov, Nemtsov Discusses Strategy, Yabloko Alliances, Otechestvo

Center-Periphery Relations

Defense Ministry Taps Rostov Journalist To Monitor Military Corruption

Prusak Calls for Appointed Governors

Chelyabinsk Governor Focuses on Nuclear Weapons in Yeltsin Meeting
Political Economy
Chelyabinsk Administration Protects 200 Firms from Bankruptcy
Environmental Issues
Chukotka Considers Nuclear Power
Corruption
Rostov Businessman Allegedly Pockets Chechen Reconstruction Money
Foreign Ties
Lack of Kazakh Coal Causes Energy Problems in Omsk
Transport of Bulgarian Nuclear Waste to Chelyabinsk Halted
NATO Bombing Postpones Commemoration of German Dead in Volgograd
Regional Links
Chelyabinsk on the Web
Advertisements
Job Opening at IFES
EWI Handbook of Russian Regional Executives

BREAKING NEWS

POLITICS

YELTSIN OFFERS GOVERNORS MORE AUTONOMY. Russian President Boris Yeltsin met with the governors of several Russian regions on 20 April and offered them more autonomy in exchange for their support, *The Financial Times* reported on 21 April. Yeltsin told the governors that he was "ready to go into battle" to defend their powers. Yeltsin's comments are seen as an attempt to counter the authority of Prime Minister Yevgenii Primakov, who has called for imposing more discipline on the governors. (*The Financial Times*, 21 April)

Yeltsin's meeting with the governors was held at the same time as the party congress for Konstantin Titov's Golos Rossii movement, which boasts a large number of regional executives among its ranks. Of the governors invited to meet with Yeltsin, only Titov declined the invitation to attend the party congress. (*Kommersant Daily*, 21 April)

GOLOS ROSSII: "NEW FEDERALISM" OR PRO-YELTSIN? Samara Governor Konstantin Titov's electoral movement, Golos Rossii, promoted the slogan of "new federalism," granting more power to the regions, at its party conference on 21 April, *Nezavisimaya gazeta* reported. The participants, representing 72 different regions, announced that Golos Rossii sought to show Moscow that it depends on the regions, not the other way around. Titov stated that responsibility for all issues that can be handled independently, in the regions, should be transferred away from the central authorities. Excessive centralization of power in the federal government is one of the main causes of Russia's current crisis, he said. "The alienation of Russia's regions from the center has now reached a critical and dangerous magnitude, and the regions continue to be viewed not as partners, but as a passive suppliers of resources," Titov noted. (*Nezavisimaya gazeta*, 21 April).

Despite such anti-center sentiment, Titov announced that the movement is pro-presidential. Golos Rossii supports the president and democratic reforms and does not

accept Prime Minister Yevgenii Primakov's ideas of democracy, in particular the idea of appointing rather than electing governors, he said. (*Kommersant Daily*, 21 April). *Kommersant Daily* suggested that Titov might feel pressure to curry favor with Yeltsin, who met with Russia's governors at the same time as the Golos Rossii congress was held. Only Governor Titov chose Golos Rossii over Yeltsin. Titov's interest in gaining presidential approval is likely related to the emergence of a second regional bloc, Vsya Rossiya [see below], which will hold its organizational meeting on 22 April. Yeltsin's support of one bloc over the other could prove the decisive factor in their electoral success. Nearly all speakers at the congress noted that if other regional blocs were to emerge, they would try to unite with them, since fragmentation among regional groups could prevent them from passing the 5 percent barrier.

PLANS FOR ANOTHER REGIONAL BLOC TAKE SHAPE. On 22 April an organizational committee is scheduled to meet to establish a new electoral bloc, Vsya Rossiya (All Russia). About 100 people are expected to attend and determine the bloc's orientation and choose its executive committee. Among the bloc's founders are the Russia's Regions organization, headed by Vladimir Medvedev and the President of Ingushetiya, Ruslan Aushev's, For Equal Rights and Justice movement. Tatarstan President Mintimer Shaimiev, Bashkortostan President Murtaza Rakhimov, St. Petersburg Governor Vladimir Yakovlev, Astrakhan Governor Anatolii Guzhvin, and Omsk Governor Leonid Polezhaev along with nearly 10 other regional executives will join the bloc, with Shaimiev as the group's leader. Party organizers believe that they will have enough support to overcome the 5 percent barrier in the State Duma elections this December. The bloc hopes to win over voters in regions that do not want to vote for Moscow Mayor Yurii Luzhkov and his Otechestvo movement and are skeptical of Samara Governor Konstantin Titov and his Golos Rossii group. According to *Nezavisimaya gazeta*, one of the bloc's main problems is the lack of a charismatic leader like Luzhkov. Titov and other participants in Golos Rossii's party congress on 20 April expressed interest in uniting with Vsya Rossiya, because the presence of two regional blocs increases the difficulty of either one overcoming the 5 percent barrier in the Duma elections. (*Nezavisimaya gazeta*, 20-21 April)

DUMA VOTES TO UNITE WITH YUGOSLAVIA. On 16 April the Russian State Duma voted to support Yugoslav membership in the Russian-Belarusian union. The 450-seat Duma passed the resolution 293-54, with one abstention. The Duma's more liberal members criticized the focus of a Slavic union with the Serbs, citing concerns about how Russia's nearly 20 million Muslims will react.

Among Russia's regional leaders, Moscow Mayor Yurii Luzhkov had stated several days before the vote that Russia should address the question of uniting with Yugoslavia only after the air strikes have ceased. (*Nezavisimaya gazeta*, 14 April) However, after meeting with President Yeltsin on 13 April, Luzhkov offered more support to the idea of a tripartite union including Yugoslavia. (*Vremya MN*, 14 April) Tatarstan President Mintimer Shaimiev has been particularly vocal in opposing a Russian alliance with Yugoslavia, and is prohibiting residents of the republic from participating in volunteer battalions (see *EWI Russian Regional Report*, 01 April and 15 April). Vladimir Zhirinovskiy's Liberal Democratic Party of Russia (LDPR) is perhaps the most vocal

advocate for military intervention on the side of Yugoslavia. LDPR branches throughout Russia have been mobilizing volunteer troops to go to the Balkans. The party claims to have gathered more than 400 volunteers from Primorski Krai, 300 from Altai Krai, 300 from Tomsk, and handfults from Rostov, Arkhangelsk and Orenburg. The National Patriotic Union of Russia registered 800 volunteers in Moscow City and nearly 400 in Moscow Oblast. (*Kommersant Daily*, 14 April) The Republic of Adygeya, which received a group of ethnic Adygeyans from Kosovo last year, would like to take in a second group. (*Izvestiya*, 20 April) Consistent with his desire to remain in the media spotlight, Saratov Governor Dmitrii Ayatskov has offered to take 50,000 refugees from Yugoslavia into his region. (*Izvestiya*, 16 April)

TULEEV'S BLOC SWEEPS KEMEROVO ELECTIONS. Kemerovo Governor Aman Tuleev's political bloc won 34 of 35 seats in the Kemerovo Oblast Council of People's Deputies on 18 April. None of Tuleev's candidates won less than 63 percent of the vote, *The Moscow Times* reported on 20 April. Candidates from other parties complained of multiple campaign violations (see *EWI Russian Regional Report*, 20 April). The one deputy not from Tuleev's bloc is former Belovo Deputy Mayor Igor Kovtun. Kovtun was known for his conflicts with former Governor Mikhail Kislyuk, a Tuleev foe. (*Kommersant Daily*, 20 April) With his widespread support, Tuleev has essentially consolidated all power in the region. Tuleev was elected governor in 1997, winning nearly 95 percent of the vote (*EWI Russian Regional Report*, 23 October 1997), and in addition to dominating the legislative elections, all 11 candidates Tuleev supported for local executive elections emerged victorious. (*Kommersant Daily*, 20 April)

YELTSIN INCHES CLOSER TOWARD LUZHKOVA'S OTECHESTVO. On 13 April Russian President Boris Yeltsin met with Moscow Mayor Yurii Luzhkov. This was Luzhkov's second visit with the president in the past month. This time, however, Yeltsin officially met with Luzhkov not only as the mayor of Moscow, but as the leader of the Otechestvo political movement. Luzhkov announced that the president's attitude towards the movement had become more favorable. (*Izvestiya* and *Vremya MN*, 14 April) Likewise, Luzhkov's own disposition towards Yeltsin, whom he has criticized harshly in recent statements, seems to have softened. Luzhkov informed Yeltsin that he and his movement were categorically opposed to the impeachment proceedings against him, when just this past fall Luzhkov had announced that Yeltsin should have the courage to resign due to his failing health. (*Nezavisimaya gazeta* and *The Moscow Times*, 14 April) Though a firm Yeltsin/Luzhkov alliance did not result from the meeting, the shift in their public attitudes towards each other is clearly viewed as careful politicking. Yeltsin has been setting more distance between himself and Prime Minister Yevgenii Primakov of late, and Luzhkov, careful not to invite opposition to his movement, could be looking at this as an opportunity to secure the president's support in becoming his successor.

MASKHADOV READY FOR YELTSIN. According to Chechen President Aslan Maskhadov's press secretary, the Chechen leader is ready to fly to Moscow at any time to meet with President Boris Yeltsin, *Kommersant Daily* reported on 20 April. Maskhadov hopes to discuss the peace agreement signed between Yeltsin and Maskhadov in May 1997. Maskhadov feels that all of the problems between Chechnya and Moscow stem

from the fact that this agreement is not enforced. Prime Minister Yevgenii Primakov plans to meet with Maskhadov in Vladikavkaz, North Osetiya, on 24 April. Initially Maskhadov had refused to meet with Primakov, who is traveling to the North Caucasus to meet with the executives of the republics and krais in the area, claiming that the meeting concerned Russian domestic affairs, which do not include Chechnya. (*Kommersant Daily* and *Nezavisimaya gazeta*, 20 and 21 April, *Izvestiya*, 17 April)

TYAZHLOV CHOOSES OTECHESTVO OVER NDR. Moscow Oblast Governor Anatolii Tyazhlov has left his position as chairman of the region's branch of Our Home is Russia. Tyazhlov asked to be removed from the post because he has been elected head of the regional branch of Moscow Mayor Yurii Luzhkov's Otechestvo movement. Tyazhlov promised "to do everything so Otechestvo and NDR can work together." Andrei Polyakov, chair of the State Duma committee for local government issues was elected the new head of NDR for Moscow Oblast. (*Segodnya*, 20 April)

STROEV JOINS SECURITY COUNCIL. On 13 April President Boris Yeltsin appointed Federation Council Chairman and Orel Governor Yegor Stroeov and Chairman of the State Duma Gennadii Seleznev to the Russian Security Council. Parliamentary heads were last included among the ranks of the Security Council in 1996, at the height of the Chechen war, when then Federation Council Chair Vladimir Shumeiko and former Duma speaker Ivan Rybkin were made members. (*Profil*, 12 April)

ECONOMICS

LUFTHANSA ACCUSED OF TAX FRAUD IN URALS. Yekaterinburg's tax inspectors recently announced that the local representative of the German airline Lufthansa owes nearly 600,000 rubles in back taxes to the local budget, which with fines amounts to a debt of more than 1.5 million rubles. Lufthansa denies any tax debt, claiming that the tax agreement on double taxation concluded between Russia and Germany on 29 May 1996 partially freed the Yekaterinburg office from paying taxes. The tax office does not accept these arguments, asserting that the taxes addressed in the agreement do not include local taxes. Lufthansa encountered problems with the Yekaterinburg tax police in 1996 over a dispute about the profit tax, which the company claimed it was not subject to and refused to pay. Lufthansa's representative for Russia and the CIS feels that Yekaterinburg's claims are unfounded and that the company does not owe any debt to the local budget. Furthermore, Lufthansa is dissatisfied with the disclosure of its tax information and intends to take appropriate measures if its rights are violated. (*Vremya MN*, 15 April) (For more details on Lufthansa's activities in the Urals, see *EWI Russian Regional Investor*, 7 April)

LUZHKOVS SUGGESTS MORTGAGE AS COLLATERAL. Moscow Mayor Yurii Luzhkov announced on 14 April that he hoped to use the Manezh luxury shopping mall and other city-owned properties as collateral for Western loans. At a meeting with managers from 50 British companies convened by the Russian-British Chamber of Commerce, Luzhkov claimed that the three-story underground complex could be used to back a \$250-million loan for turning the neighboring Moskva Hotel into an international

standard five-star hotel. The Moscow City government has never defaulted on any obligations, and thus the use of prime real estate as collateral seems a viable option for the city, which has already issued over \$1 billion in Eurobonds and accepted an unknown quantity of syndicated loans. (*The Moscow Times*, 15 April)

FORD INTRODUCES CAR LEASES. Ford Credit Europe, the banking division of Ford Motor Co., and Sberbank's St Petersburg-based leasing subsidiary JSC Ruste signed a cooperation agreement on 16 April to develop a pilot program for leasing Ford vehicles to businesses for up to three years. The Ford dealerships TDV-Auto in St. Petersburg, New York Motors Moscow and Privox in Moscow will participate in the program. If the project is successful, it will be expanded to Ford dealerships in other regions. Ford has 22 dealers in 20 different regions.

The partners hope that leasing cars instead of buying them will be a more attractive option to companies trying to save on taxes and registration hassles. A typical leasing plan would include a 5 percent payment of the automobile's price in advance if leasing more than five years, with options for buying or reselling it after the lease expires. Ford officials hope that the leasing program will help increase its sales, which fell 60 percent last year. (*The Moscow Times*, 20 April)

USDA RECALLS MEAT SENT TO REGIONS. The US Department of Agriculture announced on 13 April that products produced by Arkansas' Thorn Apple Valley meat plant were declared "unfit for human consumption." The USDA claimed that the meat could contain listeria bacillus, which can cause meningitis and miscarriages. Some meat produced at Thorn Apple had been recalled in January, but 7,000 tons of the meat had already been shipped to Russia and South Korea. Sixty tons of contaminated hot dogs and breakfast sausages were sold in Moscow, Murmansk and St. Petersburg. All of the meat in Murmansk and St. Petersburg has been confiscated, but more than half of the meat sent to Moscow has already been sold to consumers. (*Kommersant Daily*, 16 April, *The Moscow Times*, 15-16 April)

PATTERNS OF REGIONAL DEVELOPMENT

BRYANSK GOVERNOR'S SOCIAL CHAMBER DISCUSSES OBLAST PROBLEMS. Bryansk Governor Yurii Lodkin has convened a Social Chamber for the first time in three years. Former Bryansk Governor Vladimir Barabanov set up the chamber four years ago. The chamber is comprised of representatives from leading political parties and social organizations in Bryansk and is supposed to provide expert advice on the most pressing issues facing the region. Under Barabanov, the chamber functioned for less than a year, and when the Communists came to power it was neglected.

The political situation in Bryansk has gone through a seachange since the last time the chamber met. If the parties and movements could more or less agree among themselves in earlier days, now it is much more difficult. The situation is extremely heated and the coming elections in 2000 only complicate matters.

Despite the divide among Bryansk's various parties, representatives of the major organizations all attended the first meeting. The leader of the Bryansk Communist Party, who is also the first deputy chairman of the Oblast Duma, Aleksandr Shulga, suggested

that all parties vet oblast legislation. He said that all suggestions would be taken into consideration. Of course, the Communist-dominated Oblast Duma would still have the last word in adopting new laws.

The parties can resolve several of the oblast's problems by working together and setting aside their political ambitions. For example, they can bring oblast electoral legislation into conformity with federal laws, form the electoral commission, and suggest measures to support small- and medium-sized business.

The majority of the political party leaders think it was necessary to create the chamber. For example, the Bryansk leader of the Our Home is Russia party, Valerii Skidan, said the chamber gave him an opportunity to finally "get through to" the governor. However, Bryansk LDPR leader Sergei Kurdenko disagreed, saying, "I think that the Communists simply are trying to transfer responsibility for what is going on in the oblast on to all of us." Nevertheless, the LDPR plans to participate in the chamber's work.

The chamber's next meeting will take place in May. Before then, the region's parties and movements will prepare a list of the region's most pressing problems and suggestions for resolving them. - Nikolai Gorelov in Bryansk

VORONEZH'S SHABONOV SEEKS TO SUBORDINATE LOCAL

GOVERNMENT. Voronezh Governor Ivan Shabanov has addressed all local governments in the oblast seeking to rename them Raion Soviets of People's Deputies when their terms expire in December. Shabanov also suggests electing mayors from among the deputies of the local legislatures rather than directly by the population. In his appeal, Shabanov also requested the power to nominate mayoral candidates (*Novaya Gazeta v Voronezhe*, April 13). Though such a reform might prove to be unconstitutional, Shabanov will definitely push ahead with it. If this initiative is supported by the local government deputies, Shabanov will have complete control over these governments and, more importantly, the mayors.

In general, Shabanov seems unconcerned about the legitimacy of his decrees or the decisions of the Communist-controlled Oblast Duma. Voronezh Oblast Procurator Aleksandr Frolov protested against twenty-one decrees that were signed by Shabanov last year. Among them there were six decrees connected with the infamous company VORONEZH ALKO (see *EWI Russian Regional Report*, 30 September 1998). This year Frolov has already ruled against Shabanov's decision to grant the Voronezh diocese seven million rubles (see *EWI Russian Regional Report*, 25 April 1999). There were also eleven protests against various Oblast Duma legislative initiatives. Frolov maintains that 294 of the regional directives adopted last year harmed the region's economy and 399 abused human rights (*Bereg*, 2 April). - Andrei Muchnik in Voronezh

INTERVIEW WITH BORIS NEMTSOV

IN SARA TOV, NEMTSOV DISCUSSES STRATEGY, YABLOKO ALLIANCES, OTECHESTVO.

Former First Deputy Prime Minister Boris Nemtsov visited Saratov on 13-14 April to engage in party-building work for his Pravoe delo organization. During his visit RRR

correspondent Yuliya Yeliseeva interviewed him.

RRR: During your speeches in Saratov Oblast you said that Yegor Gaidar and Anatolii Chubais would not run for the State Duma. Could you please comment?

Boris Nemtsov: They will not be on the Pravoe delo party list. Chubais will not run at all for a State Duma seat. Gaidar may compete in a single-member district in Moscow where he lives. ... Chubais heads one of Russia's largest companies and it would be strange if he wanted to combine this work directly with politics. Then he would not be able to do a good job at either. As for Gaidar, we have an agreement that the Pravoe delo party list should be formed in order to win the maximum number of votes. Public opinion polls show that his name should not be on the party list. But it would be all right for him to run in a single-member district.

RRR: Why don't we hear about consultations between Pravoe delo and Yabloko on creating a united democratic bloc or an electoral coalition?

Nemtsov: In fact, such consultations are taking place. Sergei Kirienko and Boris Fedorov had been talking with [Yabloko party leader Grigorii] Yavlinskii. We don't publicize this because it is possible to talk about this publicly only when there are results. This is very difficult work, and if there is no result, what is there to talk about? In general, one should say that with Yavlinskii it is difficult to agree about anything. There are several politicians in our country who think that the people love them dearly and dream about being with them night and day. Of course, such love exists, but it is extremely limited. Politicians should have an accurate picture of themselves and understand that it is difficult to change anything working alone. The Yabloko faction in the Duma puts forward several ideas which are not bad. But can even one of these ideas win support if the Communists control a majority of the Duma? No. If it is possible to change something, then only together. On the other hand, to unite we need agreement. What we have is like a future family in which the groom loves the bride, but the bride does not love the groom. But nevertheless, I do not lose hope. Hope dies last. ...

RRR: Which parties will cross the 5 percent barrier in the State Duma elections?

Nemtsov: I think that the Communists will win 20 percent. Otechestvo will get 10-12 percent, or maybe less. The fact is that the provinces will not vote for Luzhkov. I talked with [Saratov Governor Dmitrii] Ayatskov about this and understood that if everyone supports Luzhkov the way Ayatskov does, then he has no chances. Ayatskov said, "I do not plan to pull the truck named Luzhkov out of the mud."

RRR: What about the example of Udmurtiya, where Otechestvo won about 40 seats in the 100-seat republican parliament in the 4 April elections (see *EWI Russian Regional Report*, 7 April)?

Nemtsov: There the party of power won. There the party of power happens to be Otechestvo. Simply put, [Udmurtiya State Council Chairman Aleksandr] Volkov supports Luzhkov personally. In many other regions the situation is different.

Pravoe delo will cross the five-percent barrier, we already have six-seven percent, so we could have more than 10 percent if we work directly with people as we have done in Saratov Oblast. Yabloko will win its 7-10 percent as it always does. Our Home is

Russia has no chances if [former Prime Minister Viktor] Chernomyrdin remains in charge. With [Krasnoyarsk Krai Governor Aleksandr] Lebed, everything depends on Krasnoyarsk. If the same kind of mess continues, then he will have no chance either. The LDPR could cross the barrier; [party leader Vladimir] Zhirinovskii is spending a lot of money buying the regional press and television and he has done well during his tenure in the State Duma.

CENTER-PERIPHERY RELATIONS

DEFENSE MINISTRY TAPS ROSTOV JOURNALIST TO MONITOR MILITARY CORRUPTION. Defense Minister Igor Sergeev unexpectedly has appointed Lt. Col. Aleksandr Tolmachev, a military journalist, to head a "monitoring group" in the North Caucasus military district. Tolmachev has long fought against corruption among the officers of the district.

Tolmachev's success as an officer who uncompromisingly criticizes the powerful leaders of the rear and other services of the district has astounded all observers. Of course Tolmachev has received numerous threats, both anonymous and from people he knew. The last attempt to keep him quiet occurred on 1 March when two unknown assailants beat him with a metal object in the middle of the day. Luckily Tolmachev carries a gun, which he used to escape from the attackers. As he shot at the fleeing men, one of them cried out, but he does not know if he was wounded because the attackers were never captured.

After this attack, the local press began to defend their colleague. Tolmachev notes that the massive media support made it possible for him to meet with Minister Sergeev in Moscow on 3 April. Their planned 15-minute meeting continued for an hour. After the conversation, the minister created the "monitoring group," comprised of six officers with Tolmachev at the head. Tolmachev told his civilian colleagues about these developments on his return to Rostov. Now the corruption fighter has received a mandate of sorts, with unclear but not insignificant powers from the minister himself, and intends to expose bribe-takers and profit-seekers in the ranks of the local military leadership with new strength.

The Rostov military commanders believe that Tolmachev's criticisms of them are groundless. They have said publicly that they have asked Tolmachev to give them copies of the compromising material that he claims to have on highly placed officers, and claim that so far he has not provided any information. They suggest that his activities may be connected to the upcoming elections to the State Duma.

In fact, Tolmachev ran unsuccessfully for the Rostov mayor's office at the end of 1996. Although the incumbent beat him by a wide margin, he managed a third place showing, just behind the candidate who won the majority of the protest votes. Tolmachev is popular among junior and mid-level officers, and in Rostov military men and their families make up a large number of voters. However, Tolmachev has assured his colleagues that he will not seek public office and only wants to cleanse the military of corrupt officers. So far, Tolmachev's monitoring group is the only one in Russia. - Andrei Miroshnichenko in Rostov

PRUSAK CALLS FOR APPOINTED GOVERNORS. In a statement published in the newspaper *Novgorod* on 15 April, Novgorod Governor Mikhail Prusak criticized the usefulness of gubernatorial elections. "I think that now direct elections lead to enormous expenses, hundreds of billions of rubles which we simply don't have. I am not against elections in general, but I do say that we do not need so many elections. For example, it would be possible to appoint the governor in the following way. Gather select representatives elected by labor collectives, entrepreneurs, the intelligentsia, trade unions, social organizations and the like. They would recommend to the president one, two or three candidates. And the president would pick one. I am sure that under such a system there would be less of a mess. Look what is going on today. One governor closes his border. Another announces that he does not agree with the demarcation of the border with China. A third (in Kaliningrad) announces an emergency situation. A fourth does not pay taxes. Where are we going and how with such discipline can we preserve a united state? We, particularly ordinary people, are suffering from a lack of authority; we are suffering from the absence of discipline and order. We need strict authority (*zhestkaya vlast*)." - Ivan Novgorodskii in Velikii Novgorod

CHELYABINSK GOVERNOR FOCUSES ON NUCLEAR WEAPONS IN YELTSIN MEETING. At a 16 April press conference, Chelyabinsk Governor Petr Sumin said that he wanted to discuss Chelyabinsk Oblast's nuclear weapon and rocket complexes with President Boris Yeltsin at their 20 April meeting. In Chelyabinsk Oblast, there are four closed regions (ZATO), and in three of them there are strategic defense plants: the Russian Federal Nuclear Center/Russian Research Institute for Technical Physics in Snezhinsk, one of two nuclear centers in Russia; the Mayak plant in Ozersk, and the Instrument Making Factory in Trekhgornyi. Additionally, there is the V. P. Makeev State Rocket Center in Miass.

The main problem for the nuclear complexes, and the defense industry in general, is the state's failure to pay for the products it has ordered and its inability to pay salaries, Sumin emphasized. The governor complained that Moscow facilities effectively lobby the government and president, while the Urals facilities are left out.

Even though the president has sternly ordered the Defense Ministry and other ministries to pay up, nothing happens. The NATO bombing of Yugoslavia is unfortunate, the governor said, but it should open the president's and government's eyes to the need to help Russia's defense industries.

The governor pointed out that Chelyabinsk Oblast simply does not have the resources to support its defense enterprises. These plants are state property and the federal government should take care of them, he said. Nevertheless, the regional authorities frequently must defend the defense enterprises on their territory from the actions of the federal government. For example, the Defense Ministry owes the Zlatoustovskii Machine Building Factory, one of the defense industry's largest plants, a huge sum of money, and as a result the plant cannot pay its gas and electric bills. The result is that the plant is now idle and may be declared bankrupt.

Overall, the federal government owes defense enterprises in Chelyabinsk Oblast more than 1 billion rubles. If the government paid for what it had ordered, the social problems of many of the enterprise workers would be resolved, according to Sergei Vozdvizhenskii, chairman of the Economic Committee for Development Programs of the

Bolshoi Ural interregional association. The defense plants would also have better technology and could produce better civilian goods. The events in Yugoslavia cannot change the fate of the defense industry, but they could force the government to alter the way its deals with this problem, Vozdvizhenskii said. - Igor Stepanov in Chelyabinsk

POLITICAL ECONOMY

CHELYABINSK ADMINISTRATION PROTECTS 200 FIRMS FROM BANKRUPTCY. Chelyabinsk Governor Petr Sumin announced on 16 April that he was granting political protection from possible bankruptcy to the 200 firms that are most important to the region's economy. The list has been drawn up but has not yet been made public.

Sumin believes that as many as 2,000 firms could currently be declared bankrupt in Chelyabinsk. Bankruptcy, however, generally does not improve the firms' financial and economic situation. The governor argues that the law on bankruptcy must be amended because now every creditor, no matter how small, can initiate bankruptcy proceedings against large enterprises. The oblast has created a special committee to determine whether it makes sense to bankrupt specific firms. Decisions are made based on what makes sense from the point of view of the oblast administration. "We don't let just any creditor bankrupt an enterprise," Sumin said. "However, with this caveat, it is necessary to act in accordance with the law.'

For an enterprise to avoid bankruptcy under the current law, it must not be attractive to others; in other words, it must not have liquid assets, the governor noted. In such conditions, the creation of the committee will prevent the bankruptcy of enterprises that are vital for the oblast economy. Sergei Vozdvizhenskii, the chairman of the Economic Committee on Development Programs of the Bolshoi Ural interregional association, supports this initiative and has recommended it to other Ural regions.

Sumin said that his administration's ability to influence the region's enterprises is limited because the administration does not own large blocs of stocks in them. However, the administration is responsible for the activities of these enterprises because they operate on the territory of the oblast. Therefore the administration is seeking different levers of influence. One of these is the procedure of speeded-up bankruptcy, which has already been employed against the Chelyabinsk Tractor Factory and UralAZ. It was thus possible to remove ineffective owners and managers at the enterprises and replace them with officials who will cooperate closely with the oblast authorities to revitalize the factories. In the future, the administration hopes to use other methods of state regulation, including setting tariff, price and personnel policies. - Igor Stepanov in Chelyabinsk

ENVIRONMENTAL ISSUES

CHUKOTKA CONSIDERS NUCLEAR POWER. For three years, the Rosenergoatom company has been developing small-scale nuclear power plants for use in remote northern regions. The first plant it sought to build in Sakha (Yakutiya) was not successful because the republic declared itself a nuclear free zone.

The Chukotka authorities turned out to be more agreeable for the Ministry of Atomic Energy. In the polar city of Pevek, the authorities have decided to build the

world's first 70 megawatt floating nuclear power plant in 2004-2006 to meet the needs of the local mining industry. The plant will be located on a station in the harbor. The final decision now lies with federal authorities in charge of nuclear safety issues.

Pevek residents have not expressed an opinion one way or the other. Apparently, they are looking toward their neighbors in Bilibino, where a nuclear power plant has operated for 25 years without incident. Because of the plant, the city does not have to worry about bringing in enough fuel during the short summer months to meet the needs of the residents during the harsh arctic winter. Only the word "floating" causes problems, but in the Pevek port, each atomic ice-breaker is effectively a floating nuclear power plant. - Yuriy Prygov in Anadyr

CORRUPTION

ROSTOV BUSINESSMAN ALLEGEDLY POCKETS CHECHEN

RECONSTRUCTION MONEY. The Rostov Oblast city of Volgodonsk, which once had a powerful industrial base, was one of the first to suffer when reforms began. For social and political reasons, construction on the Rostov nuclear power plant was halted; one of the city's most important factories, Atom mash, was idled, and the situation deteriorated at other key plants. Many people with experience in the energy, engineering and construction fields lost their jobs.

In 1995, unemployed residents jumped at the chance to obtain any kind of paid work. Many thus happily accepted the call of Volgodonskstroï General Director Andrei Kovalevskii to join reconstruction projects in Chechnya. The desire to support their families outweighed thoughts about being taken hostage, or meeting an even worse fate.

The problems began in January 1996 when a Volgodonsk driver of a KamAZ truck was killed while transporting building material from Volgodonsk to Grozny. Kovalevskii did not highlight the incident and even continued to pay the Chechen guards who claimed that they "didn't see anything." Then, on 6 March 1996, 89 construction workers from Volgodonskstroï were taken hostage from their dormitory in Grozny.

The hostages, including 10 women, were held in terrible conditions. The Chechens demanded payment for each of the prisoners, but Volgodonskstroï had no money for this purpose. Ultimately, Kovalevskii appealed to the federal Construction Ministry for help, and they gave him a quarter of the funds he requested. In May 1996, the captors, whose identities remained unknown, were paid off and the hostages released.

Of the 89 original hostages, four died in captivity, one died a few days later of wounds received while he was being held, and another committed suicide. The survivors, many of whom were seriously ill, asked their employer to provide medical aid. Kovalevskii agreed only to organize medical exams. None of the workers received proper care.

The Construction Ministry did its part by releasing 1.25 million rubles in compensation payments. The Volgodonskstroï management decided, however, that simply saving the hostages' lives was sufficient. Humiliated and deceived, the former hostages sought justice from the courts and won their case when the court determined that the employer should pay compensation, provide medical care, and cover the loss of personal items. However, in every case, Kovalevskii answered that Volgodonskstroï had no money.

Then the former hostages founded their own organization, Caucasus Prisoners, to find out for themselves what was going on. They sent numerous letters to the federal authorities demanding an audit of Kovalevskii's financial activities. Although the results of the audit were predictable, many people were nonetheless shocked at the scale of the corruption.

Volgodonskstroï General Director Kovalevskii is among the co-founders of the Moscow builders' organization Rosyugstroï and the construction-finance firm Yugstroï. The federal Finance Ministry gave these two firms the money it had earmarked for reconstruction work in Chechnya. These firms, which did no actual construction work and served only as middlemen, pocketed up to 7 percent of the funds.

In addition to his work at Volgodonskstroï, Kovalevskii is also a director of an architectural firm and the construction-finance corporation Arkhitek-Don. These two firms received the rest of the money (minus the 7 percent), and, in turn, kept from 2 percent to 14 percent for themselves. Then they transferred the much diminished sum to Volgodonskstroï for the actual work.

As a result of these operations, Kovalevskii and his partners allegedly pocketed 8.6 million rubles. Moreover, the money that finally went to Volgodonskstroï apparently was not used for the purpose for which it was intended.

The former hostages believe that Kovalevskii should be held accountable for these abuses. However, as the old Russian saying goes, "Getting something done takes 100 friends rather than 100 rubles." In the end, the former hostages received only 17,134 rubles each.

The former hostages of abductors in Chechnya, now the current hostages of bribe taking and corruption, are still trying to prove their case. However, Kovalevskii has already moved on to a new project. He has a very lucrative contract to rebuild the Rostov nuclear power station. (This report is drawn from a variety of accounts in the local press.)
- Marina Svetlova in Volgodonsk

FOREIGN TIES

LACK OF KAZAKH COAL CAUSES ENERGY PROBLEMS IN OMSK. Omsk declared an emergency situation because of insufficient heat and electricity supplies on 5 April, *Kommercheskie vesti* reported on 15 April. Hot water has been turned off, heat output from two local energy stations has been reduced, and electricity to enterprises and organizations has been sharply curtailed. The reason for these problems is the cancellation of coal shipments from Kazakhstan.

Since 8 April, Omskenergo has cut electricity supplies to the city's trolleybus and tram network, *Zerkalo* reported 14 April. As a result, the Transportation Department had to limit its service. The system only operates at full capacity from 6 to 9 in the morning. After 9, half of the trolleybuses and trams remain in the depot. At 9 PM the system shuts down entirely.

Many Omsk residents blame the problems on Governor Leonid Polezhaev. Last summer the city authorities had built up a 1-million ton reserve of coal, but that supply ran out in March largely because there were no similar reserves at federal and oblast energy plants. It was the governor's responsibility to ensure that these plants had been supplied. - Valerii Chukhlomin in Omsk

TRANSPORT OF BULGARIAN NUCLEAR WASTE TO CHELYABINSK

HALTED. The transportation of nuclear waste from Bulgaria's Kozlodui Nuclear Power Plant to Chelyabinsk's Mayak processing plant has been halted indefinitely. Mayak was supposed to receive 30 tons of spent nuclear fuel according to an agreement with the Bulgarians signed in Sofia in late 1997.

Waste shipments were cancelled because the Moldovan parliament forbid the movement of the dangerous material across its territory. Finding an alternative route through Romania will require extensive negotiations.

Mayak's management is angry about its inability to obtain the material because it is losing money. It was to receive \$620 for every kilogram of waste processed.

According to Mayak Deputy General Director Yevgenii Ryzhkov, Bulgaria and Ukraine are the only countries that accept Russian legislation on handling nuclear waste and continue to send spent nuclear fuel to Mayak for processing.

Eighteen months ago, Russia amended its law on accepting nuclear waste to require the country that shipped the waste to take it back. Until then, Mayak was able to store the waste on its territory.

As a result of this law, Mayak no longer receives material from its former most important customers, Finland and Hungary. They were also the plant's only customers who paid on time. Ukraine works through mutual debt cancellation and Bulgaria's payments are significantly delayed.

In 1998, Mayak's profit was \$28 million, while profit in 1997 had been \$59 million. - *Biznes-Novosti Urala*, 19 April

NATO BOMBING POSTPONES COMMEMORATION OF GERMAN DEAD IN VOLGOGRAD. One of the most animated debates in Volgograd regional politics during the past several years has concerned a cemetery and monument for the German soldiers who died in the Stalingrad battle. According to some estimates, about a quarter of the Wehrmacht soldiers killed in the Second World War were killed in and around Stalingrad in 1942-43. Several years ago German veteran organizations asked Volgograd authorities for help in building a monument, or at least a modest plaque in commemoration of the German lives lost.

However, the request met furious opposition from regional Communists and some veterans' organizations. "The Stalingrad battlefield is a sacred place for our people," articles in such Communist newspapers as *Volgogradskaya Pravda* and *Sovetskaya* argued. "The Germans were invaders and the construction of a monument in their memory in Volgograd would violate any sense of justice and insult the memory of Soviet soldiers killed there". Communists described the idea as a "monument to fascists", while their opponents (including several veterans' organizations) stated that any soldier's life lost in the Great War because of the criminal rulers' orders was still a human life and must be remembered. By the end of 1998, a compromise was found: a plaque will be placed in a Volgograd suburb (not in the city itself), in the German cemetery of the Rossoshki village.

German veterans and relatives of the soldiers who died in Stalingrad had already begun preparing to visit Rossoshki in May 1999 (the date the plaque was to be dedicated), when NATO began bombing Yugoslavia. The new war aroused anti-Western

sentiments in Russia and again scuttled plans for the ceremony. The Volgograd regional Duma has decided "to postpone" the opening of the cemetery, while the Volgograd organization of Afghanistan veterans threatened to blow up the plaque if it was actually unveiled, *Delovoe Povolzhie* (#14, April) reported. - Ivan Kurilla in Volgograd

REGIONAL LINKS

CHELYABINSK ON THE WEB. (<http://www.gubern.chel.su>) Chelyabinsk Oblast has set up a new official home page at this site. The new web presence features a governor's page, contact details for administration officials and an economic survey of the oblast. You can also send e-mail messages to Chelyabinsk Governor Petr Sumin and the oblast's presidential representative, Nikolai Sudenkov. The site also includes some useful official documents, such as Sumin's presentation before the Legislative Assembly on 25 February 1999 and the text of Chelyabinsk's power-sharing agreement with the federal government. (*Bisnis Novosti Urala*, 19 April)

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Russian Regional Report
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Russian Cohesion Index: -8 (down 6 this week)

Disintegration.....T...L.0.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

----- After a long period of central weakness, President Yeltsin sought to reassert central control by naming Chechnya hawk Sergei Stepashin as first deputy prime minister in charge of regional relations. Yeltsin hopes to use the country's police forces, which Stepashin controls, more effectively to implement federal policy. The central crackdown will likely promote a strong reaction from the regions to expand their powers, making center-periphery conflict more likely. (-5)

----- Moscow Mayor Yurii Luzhkov is strengthening his chances to win the presidency as regional leaders are forming their own parties, such as Golos Rossii and Vsyia Rossiya, which then ally with Luzhkov's Otechestvo. Despite strong misgivings, the regional leaders see no alternative to Luzhkov as the country's next president, but want to maintain some independence from him by not joining his party directly. Since Moscow is not Russia, Luzhkov's policies as potential president are unpredictable. A growing consensus around Luzhkov gives Russia an uncertain future, but perhaps one that is likely better than many other alternatives. (-3)

+++++ In again using their institutional power to support General Procurator Yurii Skuratov, the regional leaders in the Federation Council employed their constitutional rights to try to extend the rule of law in Russia. To avoid long-term conflict, however, the upper house would be wise to find a way of working with Yeltsin on this issue since continued confrontation is unlikely to be productive. (+3)

----- Foreign investors continue to face a difficult regulatory environment. Firms like IKEA and Knauf must spend enormous resources to battle counterproductive tax and customs policies. These disputes suggest that Russia has a long way to go in creating an investor-friendly environment. (-1)

----- Regional governments continue a long history of trying to solve their problems by passing them on to local governments. Even though the courts ruled that Ulyanovsk could not pass unfunded mandates to the local governments last year, the oblast's just adopted 1999 budget does it again anyway. (-1)

+++++ Campaigning for the State Duma and presidency is now in full swing and will push other issues off the agenda until the summer of 2000. Electoral politics are messy, and Russian elections are particularly untidy, but authoritarianism would be much worse. (+1)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Center-Periphery Relations

Federation Council Defends Skuratov Again

Local Government

Ulyanovsk Adopts Oblast Budget that Attacks Local Government

Foreign Ties

Explosion at US Consulate in Yekaterinburg

*****Special Supplement: Elections 1999/2000*****

Breaking Election News

Vsya Rossiya Helps Republican Presidents Unite with Luzhkov

Otechestvo Holds Second Congress

Keeping Score

Political Affiliations of Russia's Governors: A List

Expert Analysis

Why It Is So Difficult To Form a Regional Coalition

Political Parties in the Regions

Pskov Governor May Seek Ties with Otechestvo Instead of LDPR

LDPR Regroups in Komi

Yavlinskii Personally Intervenes in Samara Yabloko Conflict

Ayatskov Casts His Lot with Our Home Is Russia

Tver Otechestvo Gaining Strength

Otechestvo Thriving in Krasnoyarsk

Lebed Organization Collapsing in Buryatiya

Nikolaev: Expansion of NATO, EU Benefits Kaliningrad

Advertisement

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BREAKING NEWS

POLITICS

YELTSIN REPLACES GUSTOV WITH STEPASHIN. On 27 April President Boris Yeltsin fired First Deputy Prime Minister Vadim Gustov and replaced him with Sergei Stepashin, who will now serve as first deputy prime minister and minister of internal affairs, according to the presidential press service (<http://www.maindir.gov.ru/>). Gustov, the former governor of Leningrad Oblast, was the government's pointman for relations with the regions, the role Stepashin will now assume.

Gustov was considered ineffective as the first deputy prime minister and played a very low-profile role. Since he was not backed by the resources of any particular ministry, he had very little power. Stepashin, as the head of Russia's police force, will have much greater authority in dealing with regional leaders. The ministry has been

particularly active recently in trying to preserve order in the North Caucasus and rooting out corruption in Krasnoyarsk and Dagestan.

Stepashin will also be in charge of handling Russia's elections. With regional leaders increasingly involved in the elections, Stepashin will be critical to shaping the Kremlin's campaign strategy, and therefore will play a large role in determining the make-up of the new State Duma and the outcome of next year's presidential vote.

At the national level, Stepashin's promotion is considered a blow to the power of Prime Minister Yevgenii Primakov because of Stepashin's loyalty to the president. The move against Gustov is not a great loss for Primakov, but shows that Yeltsin intends to chip away at his power. (*Vremya MN* and *Kommersant Daily*, 28 April)

Yeltsin was angry that Gustov allowed regional leaders to form political blocs, a development that will make it harder for the Kremlin to control the regions, the *Moscow Times* reported on 28 April. On 27 April Yeltsin met with two of the leaders of the new blocs, Golos Rossii's Samara Governor Konstantin Titov and Vsya Rossiya's Tatarstan President Mintimer Shaimiev. Gustov also earned a bad reputation for spending much of his time lobbying on behalf of the particular interests of Leningrad Oblast.

Stepashin became the director of the Federal Security Service in 1994. However, he lost this position in June 1995, when, as one of the strongest supporters of military intervention in Chechnya, he took part of the blame for this policy's failure. Despite his association with the unpopular war, Yeltsin returned him to power as justice minister in July 1997. He became minister of internal affairs while Sergei Kirienko served as prime minister in mid-1998.

AYATSKOV BACKS STEPASHIN APPOINTMENT. Saratov Governor Dmitrii Ayatskov believes that the dismissal of First Deputy Prime Minister Vadim Gustov is just the beginning of changes within the government. Ayatskov said that the appointment of Sergei Stepashin to this post, while allowing him to remain minister of internal affairs, is timely, and pointed out that "in a difficult situation, the authorities should work powerfully with all of their resources." Ayatskov believes that Gustov should not have left Leningrad Oblast to join the government since "he was not the right person for the job." Ayatskov said that "he is very intelligent and concerned about the fate of Russia, but cannot defend his position." - Yuliya Yeliseeva in Saratov

VOLKOV REELECTED IN UDMURTIYA. On 20 April the newly elected Udmurtiya State Council re-elected Aleksandr Volkov as its chairman. The election makes Volkov the region's top executive, since Udmurtiya is the only Russian region with a traditional parliamentary government (*EWI Russian Regional Report*, 07 April). Volkov, who was supported by Moscow Mayor Yurii Luzhkov's Otechestvo movement, won 55 votes in the 100-seat council. His opponent, Pavel Vershinin from the Soglasie electoral group, earned 44 votes. Three votes were cast against both candidates.

Volkov called on the deputies to form a professional government, develop the energy complex, and establish an agro-industrial leasing fund. Vershinin remarked that the activities of the previous State Council often prevented the government from working effectively. He claimed that the most important tasks awaiting the newly elected deputies are maintaining stability, continuing to improve the republic's state structure, and stimulating economic growth. Both Vershinin and Volkov spoke of the importance of the

republic's oil industry and placed strong emphasis on the social sphere, stressing the need to regulate prices on food and medicine, provide free medical services, and establish minimum social standards. (*Izhevskie novosti*, <http://express.udmnet.ru>, 22 April)

KARACHAEVO-CHERKESIYA HOLDS FIRST PRESIDENTIAL ELECTIONS.

On 25 April, the Karachaevo-Cherkes Republic held its first presidential election and voters eliminated long-time incumbent Vladimir Khubiev from the race. He finished in fifth place with 6.4 percent. (*Vremya MN*, 26 April and *Izvestiya*, 27 April) The top two finishers, Cherkessk Mayor Stanislav Derev (40.1 percent) and former commander of Russian ground forces Vladimir Semenov (17.9 percent), will now face each other in a runoff. Cherkessk is the capital city of the republic and Derev's strong lead going into the runoff continues a trend in which the mayors of regional capitals are the most potent challengers to regional executives. Fifteen candidates participated in the election, which had a 77 percent voter turnout.

Both Derev and Semenov are well known in the republic. Derev was elected mayor of Cherkessk in October 1997, winning 75 percent of the vote. He is known as the local vodka king because when he was elected mayor, Derev was the director of the famous Merkurii plant, which produces vodka and mineral water and sells its products throughout Russia. The taxes from Merkurii constitute 25 percent of the republican budget, and 50 percent of the city's budget. His business has also made Derev one of the area's richest men. In December 1997, the authorities halted production at the plant and filed charges against management for not paying taxes after a truck carrying 10,000 bottles of black market vodka, allegedly from Merkurii, was discovered in neighboring Stavropol Krai. Protestors who demanded Khubiev's resignation at a Cherkessk rally in January 1998 believe that these actions were taken to discredit Derev, who had been viewed as Khubiev's main opposition since his mayoral victory (*EWI Russian Regional Report*, 29 January 1998).

Derev is an ethnic Cherkes, a group that makes up 9.7 percent of Karachaevo-Cherkesiya's population. Semenov is as an ethnic Karachai, who comprise 31.2 percent of the republic's population, but his mother is an ethnic Russian. Although Derev won more than twice as many votes as Semenov, Semenov should have a better showing in the second electoral round since many of the republic's ethnic Karachai voted for other Karachai candidates, including Khubiev, in the first round. They are likely to rally around Semenov in the second round, leaving the republic's ethnic Russian population (42 percent) to cast the deciding vote.

As mayor of Cherkessk, Derev has actively tried to secure allies among the Russians. Many of the workers in Merkurii are Russian and Derev's first deputy mayor is an ethnic Russian. The Muslim mayor also contributed a large sum to the local Russian Orthodox Church, which recently honored him for helping to build a church, increasing his popularity among the republic's Russian population. (*Izvestiya*, 27 April) Relations between Derev and the Karachai are more strained. Derev has been accused of harboring aspirations to create a "Greater Cherkesiya" across the territory of the neighboring North Caucasian regions, and the Karachai previously threatened to consider secession if Derev is elected president. (*The Moscow Times*, 27 April) Nevertheless, the republic's Karachai population have supported Derev in the past. When he ran for Cherkessk mayor in 1997, 35 percent of the city's Karachai voted for him, in spite of President Vladimir Khubiev's

open opposition to his candidacy. One of Derev's projects as mayor has been to build a monument to the repressed Karachai in the center of Cherkessk.

Another factor that could influence the election is the support of Russian State Duma Deputy Mikhail Yakusha, a Communist who came in third in the race with 15.7 percent of the vote. Unofficial sources claim that Yakusha is likely to throw his support to Derev. (*Izvestiya*, 27 April)

NORTH CAUCASUS LEADERS MEET IN VLADIKAVKAZ. On 23 April the North Caucasus interregional association met in Vladikavkaz, North Osetiya. Russian Prime Minister Yevgenii Primakov and several members of the Russian cabinet attended the event, giving it high-level representation. Chechnya's deputy prime minister Lom-Ali Alsultanov attended the meeting, delivering a special message from Chechen President Aslan Maskhadov to Primakov. The meeting also had an international character since representatives from Abkhazia and South Osetiya (Georgia), and Lugansk Oblast and the Crimea (Ukraine) were also present. States in the Transcaucasus were also invited to participate, and Azerbaijan and Armenia sent representatives. Among the issues discussed were establishing a program for the region's socio-economic development for 2000-2005 and creating a free economic zone in the Black Sea basin. Primakov had a private meeting with Alsultanov to discuss preparations for a future meeting between Russian President Boris Yeltsin and Maskhadov (see *EWI Russian Regional Report*, 15 and 21 April). The day after the Primakov-Alsultanov meeting, Maskhadov issued a decree creating a state committee on negotiations with Moscow. (*Izvestiya* and *Nezavisimaya gazeta*, 27 April)

AGRARIAN TO CHAIR KEMEROVO COUNCIL. The recently elected Kemerovo Oblast Council of People's Deputies chose Deputy Governor (agro-industrial complex) Gennadii Dudyayev as its new chairman on 27 April. Dudyayev is a member of the Agrarian Party and was elected from its party list to the State Duma in 1993. As chairman of the oblast legislature Dudyayev automatically earns a spot in the Federation Council. He was elected to the oblast legislature running on a ticket supported by Kemerovo Governor Aman Tuleev. Chairman of the previous assembly, Aleksandr Filatov, a vocal Tuleev opponent, was not re-elected to the legislature (see election details in *EWI Russian Regional Report*, 21 April). (*Segodnya*, 28 April)

SVERDLOVSK SETS ELECTION DATE. The Sverdlovsk Oblast Legislative Assembly announced on 27 April that the region's gubernatorial elections will take place on 29 August. Candidate registration will begin on 20 June and conclude in July. The oblast's first gubernatorial elections took place in August 1995. Eduard Rossel was elected governor in the second round with a 60 percent voter turnout. Rossel is one of the top contenders for re-election. His main contender is Yekaterinburg Mayor Arkadii Chernetskii (for a detailed account of their relations, see *EWI Russian Regional Report*, 25 June 1998). (*Segodnya*, 28 April)

ECONOMICS

MOSCOW CITY FACES POSSIBLE DEFAULT. Moscow City may default on a \$200 million syndicated loan financed by Deutsche Bank, WestMerchant Bank and Societe Generale. The city was unprepared to pay the outstanding \$100 million debt, which the creditors want repaid ahead of schedule. The city had been planning to pay only a \$4.5 million interest payment. In addition to this debt, Moscow must also find money to pay two Eurobond coupons worth 39.5 billion lira and \$27.7 million in May. Deputy Chairman of the Moscow City Loan Committee Sergei Pakhomov claims that the city does not plan to restructure the Eurobonds since there is no precedent for doing so. Moscow's financial difficulties are directly related to the ruble's steady devaluation and the uncertain fate of Russia's federal foreign debt. Nevertheless, defaulting on foreign debts would damage Moscow Mayor Yurii Luzhkov's reputation for an effective economic policy, thus possibly hindering his presidential bid. (*The Moscow Times* and *Nezavisimaya gazeta*, 28 April)

MOSCOW TELEPHONE RATES ON THE RISE. On 1 May the monthly service charge for telephone service in Moscow will be increased from 20 to 30 rubles. Telecom analysts claim that the increase will not be enough to prevent the Moscow City Telephone Company (MGTS) from financial ruin, *The Moscow Times* reported on 24 April. MGTS has \$200 million in debts and announced a net loss of \$185 million on sales under \$100 million in 1998. Moscow phone rates, less than half the real cost of providing the service, have been kept artificially low under pressure from Moscow Mayor Yurii Luzhkov. The increase in phone rates was permitted after Prime Minister Yevgenii Primakov issued a decree in late 1998 that took away responsibility for setting local phone rates from municipal authorities and gave it to the Antitrust Ministry. The new 30-ruble monthly rate is still only half the real cost, yet MGTS financial director Semen Rabovskii expects that the basic monthly rate would increase to 50 rubles by autumn. (*The Moscow Times*, 24 April)

According to *Kommersant Daily* (23 April), telephone prices in the majority of Russia's regions are likely to increase 15 percent to 40 percent. Deputy Chair of the State Committee on Communications Naum Marder said that the government is planning special tariff corridors of 30 rubles to 55 rubles for local telephone services.

IKEA STRUGGLES WITH CUSTOMS. Sweden's IKEA is delaying the opening of its \$100 million shopping complex in Khimki, Moscow Oblast, as it battles with the government for lower customs tariffs on furniture imports, *The Moscow Times* reported 27 April. General director of IKEA in Russia, Lennart Dahlgren, said the IKEA store would be unable to start its operation unless the tariffs were reduced. Dahlgren explained, "If we were a luxury furniture store, we would just add this cost to our prices. But in IKEA we decide on prices beforehand, so that they would not be higher in Russia than in other countries." A customs spokesperson said that customs duties were 30 percent of declared value for whole pieces of furniture and that a combined duty for both the value and weight is issued for unassembled furniture (IKEA's specialty), designed to prevent importers who tried to bring in expensive furniture unassembled.

The construction of the Khimki complex should be finished by mid-summer, and IKEA would need another six months to outfit the store. However, now it has stopped buying equipment for the center and recruiting the 500 employees it needs. About 10

percent of the Khimki store's stock will come from domestically produced furniture, with an expected increase to 40 percent over the next three to four years.

TATENERGO TO BE PRIVATIZED. Tatarstan's Deputy Prime Minister Vladimir Shevtsov announced that the state energy enterprise Tatenergo would be privatized by the end of this year, *Vremya MN* reported on 28 April. In accordance with an agreement concluded with Russia's United Energy System (UES) in March, UES can keep 10 percent of Tatenergo's stock. In the first stage of privatization, the state share will be 80 percent, and the remaining shares will be distributed among members of the work collective.

MOSCOW CITY INCREASES PENSIONS. Moscow Mayor Yurii Luzhkov signed a directive to increase the size of Moscow's minimum pension from 450 rubles to 500 rubles a month, beginning 1 May. According to Luzhkov, the crisis last August has caused the city's standard of living to fall to half of its pre-crisis level. The material well-being of the city's inhabitants is one-and-a-half times lower than at the beginning of last year. Luzhkov also noted that the constantly falling ruble has prohibited salary increases from keeping up with rising prices. (*Segodnya*, 26 April)

TULA FARMERS REPORT DEBT. Ninety-two percent of Tula Oblast's agricultural enterprises reported a loss for 1998, *Izvestiya* reported on 21 April. The number of cattle in the region has declined sharply and more than 20 percent of the region's grain fields were left fallow. The agro-industrial complex now faces a 2 billion-ruble debt, equal to the sum of the oblast budget. (*Izvestiya*, 21 April)

CENTER-PERIPHERY RELATIONS

FEDERATION COUNCIL DEFENDS SKURATOV AGAIN

by Olga Komarova

MOSCOW - On 21 April the Federation Council once again rejected President Boris Yeltsin's request to dismiss the Procurator General Yurii Skuratov. The upper chamber was split nearly in half, with those opposing the procurator's resignation edging the supporters, 79-61. On 17 March, when the Federation Council first voted to support Skuratov, the embattled investigator had much greater support, with a tally of 142-6.

Even Yeltsin's meeting with governors the day before the vote, in which he offered them more power, and Skuratov's own request to be relieved of his post failed to dissuade the senators from rejecting the procurator's resignation a second time. The Federation Council members again spoke of their independence and their wish to use their share of political power. Hoping to turn Russia into a law-based state, the governors intend to help the procurator carry out his fight against corruption to the end.

The governors deliberated the Skuratov issue for an entire day instead of the intended two-three hours. In a period of sharp economic crisis, the governors seem more interested in the fate of the procurator than in that of the country. Presidential Administration Chief of Staff Aleksandr Voloshin read a letter from Yeltsin urging the

senators to remove Skuratov, claiming that he cannot work effectively in the procurator's office nor establish good contacts with other law enforcement agencies. The senators felt that the president's arguments were unconvincing and wanted to question the procurator themselves. The regional leaders decided to give Skuratov a closed hearing, hoping that he would disclose new facts about high-level corruption.

According to Federation Council members, Skuratov's presentation on 21 April was brief but energetic. He asked the senators, "not to dismiss him from office, but to support his announcement of resignation," in which he complained that he is not permitted to carry out his work. State Duma deputy Gennadii Raikov noted that Skuratov stated several times that he "no longer can go to the cabinet."

The senators understood this problem but felt that the issue was no longer the procurator's fate, but rather a matter of legal principle. According to Federation Council Chairman Yegor Stroev, the parliament's upper chamber was most concerned with "whether there would be law in the country or if lawlessness would continue."

Federation Council members reported that the procurator did not mention any new names, but recounted only a few companies and situations that have already appeared in the press, such as the Central Bank, Aeroflot and GKO transactions. The governors' decision to keep Skuratov in office was calmly adopted. Skuratov noted that although he had other wishes, he would accept the senators' decision.

After the vote, the senators established a commission for investigating the affairs mentioned by the procurator. They hope to receive materials on these affairs from the procurator, the Federal Security Service and the Ministry of Internal Affairs. This commission will work parallel to the procurator's office commission investigating the Skuratov affair, which has also been accused of corruption. Stroev told journalists that these two committees will work together and should come to a decision regarding the investigation. The senators have thus taken it upon themselves to serve as an honorary arbitration court.

On 27 April Yeltsin met with Stroev to discuss the Federation Council's decision. Stroev reported that the president emphasized his support for the Federation Council in its effort to bring order to the struggle against corruption. He claimed that Yeltsin is not offended by the Federation Council's decision not to dismiss Skuratov. (*Segodnya*, 28 April) Among the important Federation Council members who opposed Yeltsin on this key vote were Moscow Mayor Yurii Luzhkov, Stroev and Primorskii Krai Governor Yevgenii Primakov. Krasnoyarsk Krai Governor Aleksandr Lebed sided with Yeltsin and voted for Skuratov's dismissal.

LOCAL GOVERNMENT

ULYANOVSK ADOPTS OBLAST BUDGET THAT ATTACKS LOCAL GOVERNMENT. The Ulyanovsk Oblast Legislative Assembly has just adopted a 1999 budget that reflects the catastrophic state of the regional economy. The situation is so critical that Legislative Assembly Chairman Sergei Ryabukhin said the budget is less a financial-economic document than a political one. The budget is essentially an attack on the region's local governments.

With a planned income of 2.2 billion rubles and a 27.3 percent deficit, many lines in the budget simply will not be funded. Although the level of planned income was the

same as last year, the federal subsidy will fall from 319 million rubles in 1998 to 179 million rubles this year. Cuts in the profit tax and personal income tax will cost the oblast an additional 63 million rubles. The situation is compounded by the fact that last year the regional government borrowed about a half billion rubles and has yet to pay them back. With only a few funds available, the main idea is to give everyone a little bit and hope that none are offended. It is clear that the oblast will be unable to make many of its required payments.

For example, there is no separate line to pay off the back wages owed to public sector employees; instead, these wage payments are grouped into other industrial payments. The oblast administration "recommends" that local governments pay children's benefits. There is no money set aside for teachers to buy textbooks. Maintaining the city's housing stock, preparing for winter and heating homes and offices is ostensibly the responsibility of local governments, but the local governments lack the funds to provide these services.

Ulyanovsk Mayor Vitalii Marusin plans to sue the oblast legislature over the budget. According to the budget, the city's income should be 720 million rubles, but actual income is likely to be 140 million rubles less. The city will not have enough money to pay public sector salaries, finance health care, or heat residents' houses. As happened last year, the oblast's main offense is transferring obligations to the region's local governments without providing the financing necessary to meet these obligations. The city authorities have already won one such case against the oblast, but that victory has not spurred the oblast to end the practices the court found illegal (see *EWI Russian Regional Report*, 14 January 1998). The Ulyanovsk city authorities are suing over articles of the budget that they charge illegally take away city income or give the city responsibilities for which it cannot pay.

The lack of money threatens an important agreement signed by Ulyanovsk Governor Yurii Goryachev and Gazprom head Rem Vyakhirev. According to the agreement, Gazprom will supply the oblast with gas, invest 1 billion rubles annually in the construction of a bridge across the Volga, build more housing and buy airplanes from the local Aviastar factory. In return Ulyanovsk must pay 40 million rubles annually for its gas supplies, although the deputies have only appropriated 10 million rubles for this purpose. As a result, the contract may be abrogated. - Sergei Gogin in Ulyanovsk

FOREIGN TIES

EXPLOSION AT US CONSULATE IN YEKATERINBURG. Just before 6 o'clock in the morning on 24 April an explosion occurred near the American Consulate building in Yekaterinburg. The blast caused little damage and there were no injuries. Given the explosion's occurrence during NATO's 50th anniversary celebration, and its proximity to the spot where demonstrations protesting NATO's military actions have taken place, it is possible that those responsible for the blast had political motivations, although such a link has not been proven. Yekaterinburg Mayor Arkadii Chernetskii announced on the radio that those responsible for the explosion will certainly be found and punished. The investigation is still underway.

Sergei Varyvdin, head of the Sverdlovsk branch of the extremist Russian National Unity (RNE), and Sverdlovsk Oblast Duma Deputy Nyazil Sarvarov, who represents the

extremist leftist Russian Communist Workers' Party (RKRП), announced that their respective organizations were not responsible for the explosion. Yet, when Sarvarov was asked by law enforcement organs if RKRП members could possibly been involved in the explosion, he answered that if someone from his party had organized the blast, he would give that person a prize.

Although several possible motives are being examined, the two prominent explanations for the explosion are property disputes among criminal groups or a protest against NATO air strikes in Yugoslavia. Oblast and local powers expressed concern over the rise of anti-American sentiment among the people because of the on-going Balkan conflict.

Yekaterinburg residents did not find out about the explosion until the evening news, when residents of nearby apartment buildings condemned the perpetrators. - Dmitry Strovsky in Yekaterinburg

*****SPECIAL SUPPLEMENT: ELECTIONS 1999/2000*****

BREAKING ELECTION NEWS

VSYA ROSSIYA HELPS REPUBLICAN PRESIDENTS UNITE WITH LUZHKOY. The new political movement Vsyа Rossiya (All Russia) held an organizational meeting in Moscow on 22 April (*EWI Russian Regional Report*, 21 April). President of Bashkortostan Murtaza Rakhimov, President of Ingushetiya Ruslan Aushev, President of Tatarstan Mintimer Shaimiev, and St. Petersburg Governor Vladimir Yakovlev participated in the meeting. Moscow Mayor and Otechestvo leader Yurii Luzhkov and Samara Governor and leader of Golos Rossi Konstantin Titov were also present as guests.

Vsyа Rossiya plans to unite forces with Luzhkov's Otechestvo movement. Titov's Golos Rossii might also unite with the two blocs, although a final decision has not been made. The primary goal of the Otechestvo-Vsyа Rossiya union appears to be to consolidate power in order to compete more effectively with the Communist Party in the State Duma elections. Valentin Kuptsov, a leading member of the Communist Party, announced, "We consider the Luzhkov/Shaimiev union as a serious political force, which will certainly come out against the leftist opposition." (*Vremya MN*, 23 April) Feeling threatened by this new force, Duma Speaker and Communist Party member Gennadii Seleznev announced that a group of Duma deputies was appealing to the Supreme Court to review the legality of Otechestvo's registration. (*The Moscow Times*, 23 April) Yabloko's Vyacheslav Igrunov also feels that the union will serve as a strong political force in the elections and will compete with Yabloko for votes from the same constituents. Aleksei Mitrofanov from Vladimir Zhirinovskiy's LDPR seemed the least concerned with the new bloc, and predicted that it will not take more than 10 percent of the votes and posed no threat to his party. (*Vremya MN*, 23 April)

Vsya Rossiya will hold its congress on 22 May, at which time an official leader will be chosen. Presently, Shaimiev is regarded as the unofficial leader, but most likely the movement will be headed by several co-chairmen. Shaimiev claims he does not want to be the movement's leader, fearing that it could affect his good relations with both Luzhkov and Titov. He is also concerned that Vsya Rossiya could gain a reputation in Tatarstan as "Shaimiev's movement." (*Kommersant Daily*, 22 April)

The regional presidents and governors participating in the new movement are unhappy with the present State Duma. They do not like the fact that they can only influence the State Duma deputies who were elected from single-member districts in their regions and who would not have become deputies without their help. They are against elections based on party lists and feel that it is necessary to strengthen regional representation in the State Duma, which will bolster their influence over deputies elected from their regions.

The goal of the regional blocs headed by governors and regional presidents is not to strengthen democracy but to consolidate their own power over the next State Duma. State Duma deputies under the control of regional leaders, along with the Federation Council membership of those regional officials, could prove a formidable obstacle to any decision put forth by federal authorities, and presents a serious threat that Russia will become regionalized. No organizers of regional blocs have been questioned about what sort of Duma the voters -- who will be represented by the deputies and for whom the Duma will adopt decisions -- would want.

It is unknown who will be the real leader of the group and what program it will follow. It is also not clear just how deep the alliance between the republican leaders and Luzhkov will go. For example, will the leaders of Russia's ethnic republics support Luzhkov's proposal to consolidate Russia's 89 regions into 10 to 12 organizational units? Considering the ambitions of many governors and presidents, will they be able to come to an agreement on who will be "first among equals"? There are more questions than answers regarding this consolidation of powers, yet there are also many calls to unite. - Midkhat Faroukshine in Kazan

OTECHESTVO HOLDS SECOND CONGRESS. Yuri Luzhkov's Otechestvo movement held its second congress in Yaroslavl on 24 April, convening 800 delegates and 200 guests and reporters. Luzhkov announced the party's alliance with the newly formed Vsya Rossiya regional movement. This alliance is part of Luzhkov's strategy to increase his appeal in the regions, where his leadership of the country's wealthy capital often promotes resentment. Enticing regional support was the main focus of the Yaroslavl congress. Luzhkov chose Yaroslavl in particular to show that his movement extended beyond the garden ring. Yaroslavl was a logical choice, for both its historical significance as a quintessential Russian city, and for the strong support the regional and local elite has given Luzhkov. The meeting concentrated on acquainting regional delegates of Otechestvo and making them feel like true members of the movement. How successful this attempt was remains to be seen. *Kommersant Daily* reported that Luzhkov's appearance in Yaroslavl lacked his usual charismatic ardor and that he seemed preoccupied. (*Kommersant Daily* and *The Moscow Times*, 27 April)

KEEPING SCORE

POLITICAL AFFILIATIONS OF RUSSIA'S GOVERNORS: A LIST On 25

February, we published a list of the political affiliations of Russia's governors as they prepare to allocate their support for the upcoming State Duma and presidential elections. Many more governors have now linked themselves to one of the new or existing parties, so we present this updated list, which includes all of the political affiliations we could identify.

The clear message of this list is that Moscow Mayor Yurii Luzhkov will have strong support from the regional elite if Otechestvo, Golos Rossii and Vsya Rossiya can merge their activities. Many leaders of the key Russian regions are allied with these three groups. The regional elite's support for Luzhkov is highly qualified, however. The creation of Vsya Rossiya and Golos Rossii and their alliance with Otechestvo gives regional leaders a way to support Luzhkov without actually joining his Otechestvo movement. The development of the party system to date suggests that Russia's regional leaders see no alternative to Luzhkov as the country's next president, but that they do not support all of his policies. Thus, they want to support Luzhkov without becoming subordinate to him. If Luzhkov is elected president, Golos Rossii and Vsya Rossii could provide institutional platforms for the regional elite to oppose the centralizing policies he would surely try to implement. For more details, see the analysis by Vladimir Gelman in this issue.

OTECHESTVO: Moscow Mayor Yurii Luzhkov, Nizhnii Novgorod Governor Ivan Sklyarov, Yaroslavl Governor Anatolii Lisitsin, Udmuriya State Council Chairman Aleksandr Volkov, Moscow Oblast Governor Anatolii Tyazhlov, Novosibirsk Governor Vitalii Mukha, Mordoviya President Nikolai Merkushin (*Ekspert*, 26 April). Among the governors who helped organize the new party are: Murmansk Governor Yurii Yevdokimov, Komi Republic Executive Yurii Spiridonov, Kareliya Prime Minister Sergei Katanandov and Arkhangelsk Governor Anatolii Yefremov.

GOLOS ROSSII: Samara Governor Konstantin Titov, Kaliningrad Governor Leonid Gorbenko, Marii El President Vyacheslav Kislitsyn, Khakasiya Prime Minister Aleksei Lebed, Chukotka Governor Aleksandr Nazarov, Tver Governor Vladimir Platov, Vologda Governor Vyacheslav Pozgalev, Tyumen Governor Leonid Roketskii (also belongs to Our Home is Russia), Kirov Governor Vladimir Sergeenkov, Kemerovo Governor Aman Tuleev and Magadan Governor Valentin Tsvetkov. Chelyabinsk Governor Petr Sumin, Penza Governor Vasiliï Bochkarev, Perm Governor Gennadii Igumnov and Rostov Governor Vladimir Chub have joined both Golos Rossii and Vsya Rossiya. Fourteen regional legislative leaders signed on as well. (*Kommersant Daily*, 19 February)

VSYA ROSSIYA: Tatarstan President Minitimer Shaimiev, Bashkortostan President Murtaza Rakhimov, Ingushetiya President Ruslan Aushev, Adygeya President Aslan Dzharmimov, Chuvashiya President Nikolai Fedorov, St. Petersburg Governor Vladimir Yakovlev, Khabarovsk Governor Viktor Ishaev, Astrakhan Governor Anatolii Guzhvin, Omsk Governor Leonid Polezhaev, Irkutsk Governor Boris Govorin, Khanty-Mansi

Governor Aleksandr Filipenko and North Osetiya President Aleksandr Dzasokhov. Chelyabinsk Governor Petr Sumin, Penza Governor Vasilii Bochkarev, Perm Governor Gennadii Igumnov and Rostov Governor Vladimir Chub have signed on to both Vsyia Rossiya and Golos Rossii. (*Ekspert*, 26 April)

OUR HOME IS RUSSIA: Saratov Governor Dmitrii Ayatskov, Orenburg Governor Vladimir Yelagin, Tyumen Governor Leonid Roketskii (also in Golos Rossii) and Jewish Autonomous Oblast Governor Nikolai Volkov

COMMUNISTS and AGRARIANS. Altai Krai Governor Aleksandr Surikov, Amur Governor Anatolii Belonogov, Bryansk Governor Yurii Lodkin, Evenk Governor Aleksandr Bokovikov, Ivanovo Governor Vladislav Tikhomirov, Kostroma Governor Viktor Shershunov, Stavropol Governor Aleksandr Chernogorov, Tambov Governor Aleksandr Ryabov, Tula Governor Vasilii Starodubtsev, Vladimir Governor Nikolai Vinogradov, Volgograd Governor Nikolai Maksyuta and Voronezh Governor Ivan Shabanov.

LEBED. Krasnoyarsk Governor Aleksandr Lebed and Khakasiya Prime Minister Aleksei Lebed (also a signatory of the Titov bloc).

ZHIRINOVSKY. Pskov Governor Yevgenii Mikhailov.

PRAVOE DELO. Tver Governor Vladimir Platov (also a Titov signatory), Vologda Governor Vyacheslav Pozgalev (another Titov signatory), and Gorno-Altai Republic President Semen Zubakin. Zubakin is the only regional leader who is a member of Gaidar's Russia's Democratic Choice party.

REGIONAL PARTIES. Some regional leaders have their own parties and do not plan to join others. Sverdlovsk Governor Eduard Rossel established his Transformation of the Urals party in 1993 and does not plan to join any of the new blocs. Krasnodar's Nikolai Kondratenko has his own party as well, ironically named Otechestvo, the same as Luzhkov's.

EXECUTIVES WHO ARE UNAFFILIATED OR WHOSE AFFILIATIONS ARE SIMPLY UNKNOWN TO US. Agin-Buryatiya Governor Bair Zhamsuev, Belgorod Governor Yevgenii Savchenko, Buryatiya President Leonid Potapov, Chita Governor Ravil Geniatulin, Dagestan President Magomedali Magomedov, Kabardino-Balkariya President Valerii Kokov, Kalmykiya President Kirsan Ilyumzhinov, Kaluga Governor Valerii Sudarenkov, Kamchatka Governor Vladimir Biryukov, Komi-Permyak Governor Nikolai Poluyanov, Koryak Governor Valentina Bronevich, Kurgan Governor Oleg Bogomolov, Kursk Governor Aleksandr Rutskoi, Acting Leningrad Governor Valerii Serdyukov, Lipetsk Governor Oleg Korolev, Nenets Governor Vladimir Butov, Orel Governor Yegor Stroev, Novgorod Governor Mikhail Prusak, Primorskii Krai Governor Yevgenii Nazdratenko, Ryazan Governor Vyacheslav Lyubimov, Sakha President Mikhail Nikolaev, Sakhalin Governor Igor Farkhutdinov, Smolensk Governor Aleksandr Prokhorov, Ta imyr Governor Gennadii Nedelin, Tomsk Governor Viktor Kress, Tyva

President Sherig-Ool Oorzhak, Ulyanovsk Governor Yurii Goryachev, Ust-Orda Buryatiya Governor Valerii Maleev and Yamal-Nenets Governor Yurii Neelov.

EXPERT ANALYSIS

WHY IT IS SO DIFFICULT TO FORM A REGIONAL COALITION

by Vladimir Gelman, European University in St. Petersburg

ST. PETERSBURG - There are various interpretations explaining the appearance of the new regional electoral blocs, such as Otechestvo, Golos Rossii and Vsya Rossiya, which seek to represent regional interests in the federal center. Some see them as a new "party of power" that will dominate the parliamentary and presidential elections, while others fear that they will lead to the disintegration of the country, breaking Russia into separate kingdoms under the control of regional leaders. Another question is more important, however: can these (or other) regional coalitions successfully carry out a collective political course at the federal level? Can the regions work together to influence the federal government's policy, and, if so, what are the political consequences for Russia?

Russia's recent history shows that collective action among the regions has not been effective. Regional leaders had little success in mediating the conflict between the president and Supreme Soviet in 1993 or in opposing the use of force in Chechnya. The New Regional Policy deputy group in the State Duma, elected in 1993, had little influence over the lower house, and its successor in the current Duma, Russian Regions, has not done much better. The eight interregional associations, such as the Siberian Accord and the Great Volga, have not been able to develop united policies because of the differing interests of their member regions. One might argue that these associations lack resources and organizational skills, but much deeper causes prevent the formation of regional coalitions with the ability to carry out a unified policy.

What can spur regional leaders to work together in relation to the federal government? In theory, any regional leader tries to maximize his position by giving less to the center while taking more from it. Thus, all should be interested in greater federalization and decentralization. But the paradox of such a policy is that if resources were divided equally among regions, all regions would profit, whether they initiated the action against the center or not. Thus arises the free-rider problem, described by the American sociologist Mancur Olson, in which the receipt of a public good does not depend on producing it and therefore seeking individual, rather than collective, benefits turns out to be more rational. The actions of regional leaders in relation to the center in the last five years, from concluding bilateral treaties to seeking informal patrons in the center in exchange for political loyalty, well illustrates this thesis. Each region is out for itself and has little incentive to work with the others.

According to Olson, the free rider problem can be overcome when collective action becomes profitable to all participants. Such a result is possible in the interaction of a small group of closely connected coalition members who understand each other well or when there are powerful selective stimuli for collective action. But neither will work in the case of the Russian regions. Given 88 regions (not including Chechnya), it would be

hard to expect them to understand each other or to imagine the existence of powerful selective stimuli for the majority of them.

In the early 1990s, many thought that complete independence would be one such stimulus, and many articles were written predicting the dissolution of Russia. However, it turned out that the regions were not interested in independence. This was not simply because the price of independence was more than most regions could bear. More attractive for most regional leaders was a rent-seeking strategy in which they stayed within the Russian Federation and tried to maximize benefits from the center based on their access to natural resources (such as Sakha), geographic location (Kaliningrad Oblast) or political situation (Moscow). These benefits are individualized and in a time of shrinking resources, seeking more from the center turns into a zero-sum game, since whenever one region receives benefits, the chance that other regions will receive an equal benefit decreases.

Also important is that the resources are not uniform and their exchange between a region and the center and between various regions as part of a potential coalition is not always profitable to the different parties. Thus a long-term, grand coalition with strong rules across all issues is less likely to succeed than a flexible, temporary coalition that deals only with one specific problem. This logic explains the failure of the formation of a coalition of donor regions in 1996-97. These regions simply had too many different interests. But regions can unite in one coalition for a specific purpose and then rearrange themselves into different coalitions on other issues. The variety of regional interests, from foreign policy issues to ecological concerns, is so great that regions are much more likely to form temporary, issue-specific coalitions than grand coalitions.

In such conditions, even the extremely weak central government theoretically can maintain control over the situation and, playing on the differences between the regions, prevent the distribution of its own resources between them. However, the political weakness of the president and his administration and the incomprehensible government policy toward the regions should stimulate the formation of a grand coalition.

Initiators of the new grand regional coalitions, a role that Moscow Mayor Yurii Luzhkov, Tatarstan President Mintimer Shaimiev and Samara Governor Konstantin Titov hope to play, must try to integrate the dispersed potential of the small-scale, temporary coalitions that now exist. Achieving such a goal is theoretically possible if the leaders of the coalitions put forward ideas or demands which are acceptable to a majority of regional leaders and can reduce, at least for a time, disagreements among them. That is what is taking place today. However, these coalitions face another problem. If they come to power, their leaders will either have to pay for the loyalty of each of the coalition members by meeting their demands or limit the satisfaction of the coalition members' interests. Given Russia's current poverty, it would be difficult to make all the coalition members happy, yet not doing so threatens the disintegration of the coalition.

What can Russia expect if a grand regional coalition wins and one of its leaders is elected president in 2000? It would be logical to expect decentralization in some form, all the way to the creation of a confederation or the soft disintegration of the Russian state as such. However, there is another contradiction between the coalitional policy and collective actions on one hand and the nature of personalized presidential power on the other. Given Russia's current political institutions, once the president has been elected, he will not have to follow the dictates of his former allies. Since czarist times, Russian

leaders have consistently behaved this way, and there is no reason to believe that the next president will be any different. A change in the constitution is unlikely at this point. In the future, the contradiction between the presidential form of government and the federal structure could dominate the political relationship between the center and the regions.

POLITICAL PARTIES IN THE REGIONS

PSKOV GOVERNOR MAY SEEK TIES WITH OTECHESTVO INSTEAD OF LDPR. In the middle of April the Pskov branch of Yurii Luzhkov's Otechestvo movement held its second conference and elected Oblast Assembly Deputy Viktor Semenov as its leader. Semenov is a well-known businessman who is one of the sharper critics of the economic policies of Pskov Governor Yevgenii Mikhailov, the only Russian governor who is a member of Vladimir Zhirinovskiy's Liberal Democratic Party (LDPR) of Russia. As a result of Semenov's outspoken positions and the political ambitions of Mikhailov, the creation of the local Otechestvo was the object of intense conflict, just as it has been in many other regions.

In addition to Semenov's group, Mikhailov organized a second group in Pskov that sought to set up its own Otechestvo chapter. The pro-gubernatorial chapter was led by the doctor Viktor Antonov and its ranks included LDPR activist Aleksei Panasevich, a member of Mikhailov's team and the deputy chairman of the Pskov Television and Radio Company.

During the four months of organizational work carried out by the two groups, it became clear that any compromise between them was impossible. The main problem was who should lead the organization. Semenov's supporters would not back Antonov's candidacy and vice versa. As a result, two founding meetings were held and two separate leaders were elected. Ultimately, Moscow backed Semenov as the regional leader, perhaps because of Moscow Mayor Yurii Luzhkov's well-known distaste for Zhirinovskiy.

In the early part of April the situation turned ugly when four unidentified assailants beat one of Semenov's assistants, the journalist Vladimir Vasilev. Vasilev said that one of his attackers told him that they had targeted him for his participation in Otechestvo. They took his briefcase which had several party documents. Then on the night of 13 April, two motocyclists destroyed Semenov's car which was parked in front of his house.

These events are unusual for Pskov. Despite the sharpness of the region's political debates, nothing like this had taken place in the region.

The governor's interest in Otechestvo could be the result of two different factors. He could believe that his LDPR support base is no longer sufficient and is seeking more powerful allies, or he could be trying to use the popularity of Otechestvo in the State Duma elections. Evidence for the first thesis is that the media controlled by the governor has practically avoided publishing any material that is critical of Otechestvo or Luzhkov personally. The main targets of criticism are Yaboko, the Communists, and to a smaller degree, Our Home is Russia. Evidence for the second thesis is that Mikhailov has already blessed LDPR State Duma member Mikhail Kuznetsov as the best candidate from the Pskov single-member district in the elections to the State Duma. If Antonov were the head of the local Otechestvo, he could provide key support to Kuznetsov's candidacy.

Despite these struggles, the Pskov chapter of Otechestvo has been established. Among its members are Pskov Mayor Aleksandr Prokofev and other local leaders. Additionally, it is prepared to work with the local branches of Our Home is Russia and Yabloko. The main problem facing the chapter is a lack of financial and human resources. Currently, the main resource is Luzhkov's popularity. According to a recent poll, 13 percent of the local population backs him, while 21 percent support Prime Minister Yevgenii Primakov, 18 percent support Yabloko Party leader Grigorii Yavlinskii, and 12 percent back Communist Party leader Gennadii Zyuganov. - Andrei Shcherkin in Pskov

LDPR REGROUPS IN KOMI. The Liberal Democratic Party of Russia was once a powerful organization in the Komi Republic and had many supporters. It won the most votes in the republic in both the 1993 and 1995 State Duma elections, taking 24.31 and 17.51 percent respectively. But last year the republican organization split when the LDPR Supreme Council on 9 January 1998 fired the head of the Komi party organization Valerii Zlobin and replaced him with the writer Aleksandr Nekrasov. Some members of the party supported this decision, but many did not. Ultimately Zlobin left the party and became the executive director of the Komi branch of Andrei Nikolaev's Union of Popular Power and Labor. The loss of its authoritative leader was a big blow to the local LDPR, so in the middle of April Zhirinovskii met with Zlobin at Zhirinovskii's dacha. Zlobin accepted Zhirinovskii's offer to again become the leader of the LDPR's regional organization (*Molodozh severa*, 22 April). The move makes it clear that the LDPR headquarters is working seriously to win support in the regions. - Yurii Shabaev in Syktyvkar

YAVLINSKII PERSONALLY INTERVENES IN SAMARA YABLOKO CONFLICT. Last week Vladimir Zhukov, the chairman of the Chamber of Trade and Industry in the city of Togliatti, home to Russia's largest car plant AvtoVAZ, was elected as the new chairman of the Samara Oblast branch of Yabloko. Zhukov's election should have put an end to a months long conflict in the regional Yabloko chapter, but it actually led to a worsening of the dispute.

The conflict began on 9 January 1999. At the meeting of the oblast party organization that day, the delegates elected Vladimir Nenashev, an assistant to the deputy speaker of the State Duma and a representative of the city of Samara, as the new chairman of the regional party in place of Yevgenii Lartsev. At the same time a large number of representatives from Togliatti joined the party's political council. The increase of the Togliatti representatives was natural because the core of the Samara city organization is intellectuals, while in Togliatti in 1998 a large number of businesspeople representing medium-sized businesses joined the organization. Most believe that the Togliatti chapter of the party will carry out the main campaign work in the elections for the Duma.

Lartsev did not agree with the decision of the party meeting and held a new meeting at which he was elected chairman. One of party leader Grigorii Yavlinskii's closest associates, Vladimir Averchev, traveled to Samara to try to solve the conflict in March. However, his attempts to hold another conference failed because this time Lartsev and Nenashev united to block the Togliatti group from taking over the leadership of the oblast party organization. In April, the Samara city faction removed many of the Togliatti

group from Yabloko's regional political council even though people from Togliatti had originally formed the Samara Oblast chapter.

At this point, the Yabloko federal leadership, including Yavlinskii himself, intervened again and Yavlinskii will now work personally with former regional party leaders Lartsev and Nenashev. Yavlinskii is particularly interested in the Samara branch because after Samara Governor Konstantin Titov announced that his Golos Rossii bloc might merge with Otechestvo, Yabloko became the only serious political organization in the region, besides the Communists, that was not directly subordinate to the governor. Many important businesspeople are now interested in Yabloko, apparently including even AvtoVAZ President Vladimir Kadannikov. While the battle for power inside the organization continues, it is impossible to conduct a serious political campaign. Because the Samara Yabloko was so unorganized in 1995, it won only 7.86 percent of the vote instead of the predicted 11.2 percent. Today the popularity of Yabloko is higher and activists think that they will win up to 14 percent of the Samara vote. - Andrei Perla in Samara

AYATSKOV CASTS HIS LOT WITH OUR HOME IS RUSSIA. Saratov Governor Dmitrii Ayatskov's search for a strong political alliance ended on 24 April when he was elected first deputy chairman of former Prime Minister Viktor Chernomyrdin's Our Home is Russia (NDR). In this new capacity, he will be in charge of the party's relations with the regions, the federal government, and the Federation Council. If Chernomyrdin is elected president, Ayatskov expects to serve as prime minister. Ayatskov, who has been sequentially loyal to a string of federal patrons, is already calling Chernomyrdin a "man of the 21st century" and speaks openly of his ambitions to be prime minister.

Ayatskov's path to an alliance with Chernomyrdin has been long and tortuous. Their relationship has gone through three stages. In August 1996, Chernomyrdin traveled to Saratov to help Ayatskov in his gubernatorial campaign. Chernomyrdin then brought lots of money to the oblast to convince the voters of Ayatskov's strengths.

As soon as the elections concluded, however, the flow of money dried up and from September 1996 Saratov began facing pension payment arrears. By 1997, Ayatskov was criticizing the federal government, angering Chernomyrdin. Once Chernomyrdin lost power in March 1998, Ayatskov began accusing him of all the sins that led to the collapse of the Russian economy. Ayatskov then tried to build an alliance with Moscow Mayor Yurii Luzhkov and then Pravoe delo leaders Anatolii Chubais, Boris Nemtsov, Yegor Gaidar, and Sergei Kirienko, but nothing came of these efforts.

In January 1999 Ayatskov hosted Chernomyrdin in Saratov and then asked his forgiveness at the next meeting of the NDR political council. He is now critical of the other alliances forming, calling Otechestvo a "haven for exhausted political material" and Golos Rossii a "sham organization." After making comments like these, if Ayatskov has trouble within Chernomyrdin's Our Home is Russia, he will have very little time left for maneuvering to find a new patron before the elections. - Yuliya Yeliseeva in Saratov

TVER OTECHESTVO GAINING STRENGTH. The Tver branch of Otechestvo held its first conference on 17 April and is clearly growing stronger. While only 75 delegates attended the regional organization's founding congress six weeks ago, now the organization claims 1,500 in the oblast (*Veche Tveri*, 20 April). Tver Otechestvo leader

Viktor Opekunov declared it the leading political organization in the region and claimed that it is a real competitor for the local Communist party. Otechestvo national political council member Andrei Kokoshin, who attended the conference, said that the capital was interested in strong cooperation with Tver's industrial and agrarian sectors.

Many of Tver's enterprise directors now support Otechestvo. But the increasing membership ranks are not always a good thing. Clearly the heads of many unprofitable factories are hoping that Luzhkov can supply them with financial support from the capital (which is right next door to the oblast). Many former supporters and functionaries of the Communist party are also joining Otechestvo. Given the situation, Opekunov is having to caution the new members against unscrupulousness while accepting them into his ranks. - Boris Goubman in Tver

OTECHESTVO THRIVING IN KRASNOYARSK. The Krasnoyarsk branch of Otechestvo held its conference on 17 April with several hundred delegates. The ability to draw so many people means that the organization now ranks with Governor Aleksandr Lebed's own local organization and the Communists.

Journalist and political commentator Vycheslav Novikov, an Otechestvo regional organizer, gave the keynote address. He explained the slogan "No to the course of destructive reforms." Novikov said that there had been no reforms in Russia and the words "reformers" and "antireformers" were nothing but a smoke screen employed by the incompetent authorities. He said that Russia is surviving a prolonged, systematic economic crisis at the base of which lies another crisis, the crisis of the personal power of the president. Otechestvo and Moscow Mayor Yurii Luzhkov are ready to solve this crisis, he said.

Novikov described a tripolar political future for Russia based on three main parties, the Communists on the left, Otechestvo in the center, and Yabloko on the right. While this approach may apply in the capital, it does not really fit the local situation. So many varieties of people and forces have joined Otechestvo at the regional level, from representatives of the nationalist Congress of Russian Communities, to Communists, to supporters of business, that it is hard to think of it occupying a specific pole.

While many ideas and tasks for Otechestvo were discussed at the conference, the main rallying theme was political centrism, which Novikov called "Otechestvo's mission." In his formulation, the main goal is not to let the country rock back and forth between extreme liberalism and extreme leftism. - Pavel Avramov in Krasnoyarsk

LEBED ORGANIZATION COLLAPSING IN BURYATIYA. While former Prime Minister Sergei Kirienko was visiting Buryatiya 9-11 April to build up support for his Pravoe Delo organization, the local chapter of Krasnoyarsk Krai Governor Aleksandr Lebed's Russian People's Republican Party (NRPR) was collapsing. A conference of the NRPR's republican organization voted no confidence in regional party leader Aleksandr Bulakhov. The rank-and-file charged that he had practically shut down the party because it had not held any events for six months. They also claimed that he had ruined the party's finances. Earlier, Bulakhov, who is also the deputy director of the state forestry company Zabaikal-Les and the general director of a private firm, had promised the party considerable financial support. However, he did not make good on these commitments. Bulakhov did not accept the decision of the conference and unilaterally nominated

himself to the NRPR's national conference in Moscow and went there to represent the republican organization. Now a commission from the capital will examine the activity of the party branch in Buryatiya. It is not clear what Lebed thinks about all these events. - Andrei Khodoev in Ulan-Ude

NIKOLAEV: EXPANSION OF NATO, EU BENEFITS KALININGRAD. On 19 April Union of Popular Power and Labor leader Andrei Nikolaev visited Kaliningrad. During his visit, he argued that Kaliningrad Oblast is a "self-sufficient structure" and could serve as a powerful off-shore zone in attracting investments. He saw several positive features in the expansion of NATO and the European Union for the region. While strengthening its ties with the European Union, the oblast should use the expansion of the western organizations to demand from the federal authorities greater legislative self-sufficiency and the status of an enhanced special financial-economic zone. He spoke against an increased military presence in the oblast as a result of the fighting in Yugoslavia. He supported the idea of creating an oil processing plant in the region so that Kaliningrad could then sell gasoline to its western neighbors. However, the federal authorities do not yet support this idea and Presidential Representative in Kaliningrad Aleksandr Orlov spoke out against this proposal.

The leader of the Kaliningrad branch of Otechestvo, Vladimir Toropov, and Nikolaev suggested that their two parties could work together to form a centrist coalition. - Yekaterina Vasileva in Kaliningrad

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Russian Cohesion Index; -17 (down 9 this week)

Disintegration.....T.....L.....0.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

*****See the RRR website (<http://www.iew.org/rrrabout.nsf>) for a graphic display of the Russian Cohesion Index since 17 March.*****

----- New violence in the traditionally quiet region of Karachaevo-Cherkesiya marks the further destabilization of the North Caucasus. Moscow has long lacked a coherent response to the problems in this region and the promotion of Sergei Stepashin, one of the main advocates of using force in Chechnya in 1994, is unlikely to encourage a happy outcome. (-6)

+++++ Some sectors of the Russian economy are booming, such as the beer industry. More than \$1 billion worth of investment is expected during the next several years. Such pockets of success may stimulate broader economic growth. (+2)

----- Belgorod Governor Yevgenii Savchenko has moved forward the region's gubernatorial elections by seven months so that his opponents will not have time to prepare for them. Tatarstan President Mintimer Shaimiev is thinking of doing the same thing to insure the result he is looking for in the republic's upcoming legislative elections. Continuing this long-standing tradition of changing the rules of the game to suit short-term political needs will only reduce popular trust in Russia's democratic institutions. (-2)

----- The federal authorities are not paying attention to regional concerns over such issues as how to develop the Baikal Amur Railroad and the ownership of the ONAKO oil company in Orenburg. Such actions will only create greater animosity toward the center. (-2)

----- Leningrad defaulted on a syndicated loan on 5 May and some of Russia's wealthiest regions are likely to follow. (-1)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Patterns of Regional Development

Belgorod Prepares for Governor's Elections

Political Crisis Deepens in Voronezh Oblast

Shaimiev Proposes Moving Up Tatarstan's Legislative Elections

Vladivostok Elections Open with Scandal
Center-Periphery Relations
State Duma Session Rejects Regional Plan for BAM
Izvestiya Publication on Possible Corruption in Kaliningrad Hits Home
Nazdratenko Strengthens Position in Center
Elections 1999/2000
Perm's Communists Unite
Cross-Border Trade
Floating Tenge Forces Omsk Speculators Out of Business
Regional Links
Russian Beer and LUKoil
Advertisement
EWI Handbook of Russian Regional Executives

BREAKING NEWS

POLITICS

VIOLENCE MARKS KARACHAEVO-CHERKESIYA PRESIDENTIAL RACE.

Over the past several days, tensions and violence have increased in Karachaevo-Cherkesiya as the republic heads into the runoff of its first presidential election, set for 16 May. Although the candidates have long been subject to threats, the situation has only recently escalated to violence. The television program Vesti stated on 4 May that 11 acts of terrorism were reported in the first four days of May, and *Kommersant Daily* reported on 5 May that supporters of top candidate Cherkessk Mayor Stanislav Derev were the victims of nine terrorist acts. Although there were no casualties, Derev's campaign headquarters was set on fire on 2 May and the homes and property of several of his supporters in three different districts were targeted with a grenade and Molotov cocktails.

The supporters of Derev's opponent, former Commander Vladimir Semenov, are being blamed for instigating these attacks. They claim that the acts are just provocations intended to discredit their leader. Outlandish rumors that portray Derev and Semenov as extreme nationalists suggest that both sides are employing dirty politics and increasing the tension in the region.

Following the outbreak of violence on 1 May, Derev appealed to recently appointed First Deputy Prime Minister Sergei Stepashin and FSB head Vladimir Putin to quickly adopt measures to ensure order in the republic. During a 2 May interview on NTV's "Itogi," Stepashin stressed that a stronger emphasis on law and order must be a priority when dealing with the North Caucasus. He said he would invite Derev and Semenov to Moscow in order to emphasize that if they cannot ensure law and order in the election campaign and during the elections themselves, and if the violence continues after the elections, then the federal government may need to take control of the region. Stepashin emphasized, "We cannot allow a second Chechnya in the North Caucasus."

On 4 May a special meeting was held in Karachaevo-Cherkesiya's capital, Cherkessk, involving the republic's Ministry of Internal Affairs, Russian Deputy Minister of Internal Affairs Ivan Golubev and corresponding representatives from neighboring Stavropol, Krasnodar and Kabardino-Balkariya. The bordering regions agreed to provide

additional police forces to help strengthen the inspection of vehicles entering the republic, as well as increase the number of street patrols, *Vremya MN* reported on 5 May.

The surprising outbreak of violence during this pre-election period has raised concern about instability in Karachaevo-Cherkesiya, which has traditionally been one of the more stable regions in the North Caucasus. One possible explanation may be that the election has been the first real opportunity for republican residents to voice their discontent with Karachaevo-Cherkesiya's political structures. The republic's current leader, Vladimir Khubiev, has ruled the republic for twenty years, thus preventing any meaningful change from being carried out in the region's ruling apparatus. In this context, the republic's first chance to popularly elect its top executive has become a competition between the republic's two namesake groups, the Karachai (Semenov) and the Cherkes (Derev).

Electoral solidarity along ethnic lines has never before proved to be of such importance. One relevant example frequently overlooked or downplayed in this debate is Derev's election as mayor of Cherkessk in 1997. Derev is an ethnic Cherkes, who constitute only 9.7 percent of the republic's population, yet secured considerable Karachai support in this election. In the first round of the presidential race, held on 25 April, Derev pulled in 40 percent of the vote and Semenov trailed with only 17.9 percent (see *EWI Russian Regional Report*, 29 April). Clearly Derev gained support from non-Cherkes voters, presumably from among the region's Russian population and other Caucasian minorities. The vote among the republic's ethnic Karachai, which make up 31.2 percent of the population, was split among seven Karachai candidates, including Semenov and Khubiev, and thus the Karachai are expected to rally around Semenov in the second round. Presumably, Derev will carry the 9.7 percent Cherkes population, and the Russian population, the region's largest ethnic group at 42 percent, will clearly play the deciding role in the runoff. The importance of the Russian vote in this race brings up another interesting element in the electoral ethnic balance: Semenov is actually half Russian. He identifies himself as an ethnic Karachai, however, and has not capitalized on his blood relationship with the republic's largest ethnic group to secure its vote.

If ethnic tension that was suppressed under Khubiev's rule is indeed the root of the outbreak of violence, then perhaps this is a signal that the republic should reassess its form of government. Is a presidential system in which the majority of power lies in the hands of only one ethnic group the best system for Karachaevo-Cherkesiya, or is a more parliamentary system that ensures a power balance proportional to ethnic representation, as in Dagestan, a better alternative? Additionally, would Karachaevo-Cherkesiya accept such a parliamentary system, since it could essentially reduce the power opportunities of both the Karachai and Cherkes in favor of the Russians?

The violence clouding the electoral campaign may not be indicative of ethnic discord but of other problems. The hate campaigns against both candidates may not be ethnically motivated, but rather an extreme display of the dirty politicking that frequently characterizes campaigning in traditionally authoritarian Russian regions. The region has no democratic heritage, yet no one anticipated such extremism in Karachaevo-Cherkesiya, leaving the republic unprepared to handle the situation. Additionally, Khubiev, as a lame duck leader faced with stepping down after 20 years in power, has no motivation to be forceful in maintaining order in the region. The real test of the region's stability will come after the election, when a new president takes control.

STEPASHIN DESCRIBES NEW ROLE ON REGIONS. In an interview broadcast on NTV on 2 May, First Deputy Prime Minister and Minister of Internal Affairs Sergei Stepashin explained his new duties as the replacement for former First Deputy Prime Minister Vadim Gustov. He said that on 27 April he met with President Yeltsin, who told him that there is "a need to increase the work with the regions." Yeltsin also said: "This includes using the potential of the Ministry of Internal Affairs - I think that you understand what I mean by that." Stepashin said that he will work to make sure that criminal elements do not gain power through legislative or executive elections. He also said that he would stress the "law-and-order" component in relations to the North Caucasus, particularly with violence flaring in Karachaevo-Cherkessiya. As first deputy prime minister, Stepashin now has oversight over the Ministry for Nationality Policies and the Ministry of Regional Policies.

Stepashin said that his predecessor as first deputy prime minister, Vadim Gustov, was not sacked because the Federation Council had voted to keep Procurator General Yurii Skuratov in office. However, Stepashin pointed out that he believed many of the people supporting Skuratov in the Federation Council were speakers of regional assemblies. (The Federation Council is composed of the executive and legislative branch leaders from each of Russia's 89 regions, though Chechnya does not participate.) He said that Yeltsin has met with many of the regional executives but had ignored the regional legislative leaders, who subsequently rejected Yeltsin's recommendation to remove Skuratov. He advocated paying more attention to these members of the Federation Council. He also suggested that the Federation Council did not want to remove Skuratov because there was no agreement on who should replace him. The person in that position on the eve of the parliamentary and presidential elections would obviously have considerable clout.

WILL LUZHKOV BE ABLE TO FORM AN ALLIANCE WITH THE REGIONAL LEADERS? During the last part of April, Russia's regional leaders began grouping themselves into political organizations that are seeking to take control of the State Duma away from Russia's political parties, particularly the Communists. This battle will decide the fate of democracy and the market economy for years, if not decades, to come, according to *Nezavisimaya gazeta* (30 April). One of the key questions is whether the regional leaders grouped in the *Vsya Rossiia* and *Golos Rossii* parties will be able to form a lasting alliance with Moscow Mayor Yurii Luzhkov's *Otechestvo*.

Political Scientist and former Yeltsin advisor Georgii Satarov believes that such corporatist organizations have great difficulty becoming political organizations and he does not see a "unifying ideology" that could unite Luzhkov and the regional leaders (Russian Public Television, 30 April). However, he believes that alliance is now extremely influential and could have a big impact on the elections. Despite these prospects, Satarov pointed out that Moscow is now facing its own economic difficulties, which will make it harder for Luzhkov to sell himself as a model of a successful reformer. In this sense, he is more interested in winning the governors' support than they are in him.

Moscow Public Science Foundation President Andrei Kortunov argues that Luzhkov is "too strong of a figure to be convenient for the regional leaders." He believes that they would rather have someone who would be easier to manipulate.

YAKOVLEV PLANS TO RUN AGAIN. St. Petersburg Governor Vladimir Yakovlev confirmed his intention to run for re-election next year in an interview published in *Profil* magazine on 26 April. In an early attempt at campaigning, the governor outlined his accomplishments as the head of St. Petersburg and shared some future projects. Yakovlev said that when his team first came to power in 1996, the city's budget was a big hole. The city had taken out many loans that were due for payment, forcing the administration to restructure the debts. In order to repair the city's economic disaster, Yakovlev explained, St. Petersburg stuck to a balanced budget during the governor's second year, took out a \$300 million loan from the World Bank, and successfully restructured the debts to avoid default. Yakovlev boasted of the city's success at collecting taxes and paying public sector salaries and children's benefits. In laying out his plans before the gubernatorial elections next year, Yakovlev mentioned many city improvements to coincide with St. Petersburg's 300th anniversary, including restoring the city's historical center and making some repairs on roads and the metro.

When asked about the investment climate of Moscow and St. Petersburg in comparison to other Russian regions, Yakovlev answered: "Moscow and St. Petersburg are really cities where the investment climate is favorable... As Chair man of the Federation Council Economics Committee, I am often in different Russian regions. I can say that many oblasts have the potential to improve their economic situation. But only with the support and coordination of the Russian government and ministries." Yakovlev went further, saying that he would like St. Petersburg to develop like Moscow and envies Moscow Mayor Yurii Luzhkov on this account. Yet he noted that Moscow, as Russia's capital, is a special case. Yakovlev claimed that unlike Moscow the financial crisis that struck Russia in August 1998 hardly affected St. Petersburg banks.

ECONOMICS

GASOLINE SHORTAGES SHOCK ST. PETERSBURG. Over the course of the past week an unexpected gasoline shortage hit St. Petersburg, causing long lines and price increases of 70 percent to 80 percent at the city's gas stations. Although a direct cause for the shortage has not been found, several possible factors have been suggested, such as an increase in oil exports and the recent closure (for renovation) of some facilities at the city's primary gasoline supplier, Kirishi's Kineft refinery (Leningrad Oblast). However, Kineft claims that its operational changes could not have caused the shortage since its production levels have actually increased despite the closure of some facilities. The shortages may have been exacerbated by an increased demand for gasoline related to the 1 May holiday, which many Russians celebrate by making their first trips to summer dachas.

Additional fuel is en route to St. Petersburg, yet there is some concern that the jump in gas prices in the city could tempt some suppliers away from the Moscow market, causing problems for Moscow motorists, *The Moscow Times* reported on 1 May. Oil producers expect prices to increase another 25 percent before the situation is rectified

(*Nezavisimaya gazeta*, 30 April). Yet the absence of a definitive explanation for the St. Petersburg gas shortages has aroused concern that similar shortages may occur in other regions as well. (*Izvestiya* and *Kommersant Daily*, 30 April)

ORENBURG UNWILLING TO SURRENDER ONAKO. Discussion of creating a new "Gosneft" state oil company has outraged Orenburg's political elite, who are distressed at the imminent inclusion of locally based ONAKO in the holding. ONAKO President Rem Khramov, Orenburg Governor Vladimir Yelagin, and the region's Legislative Assembly fear that ONAKO's inclusion in a state holding will negatively affect the company and the oblast's economic position since the enterprise's taxes, which currently make up one-fourth of the regional budget, will likely go to Moscow, as will the oil. They are not confident that the head of the state company will handle the holding's relations with the regions wisely, and are gravely concerned that the oblast will not be adequately compensated.

One of the top contenders to head the new holding is Rosneft head Sergei Bogdanchikov, who does not have a very good reputation for conducting an efficient regional policy and is considered a pawn of the federal government. Rosneft was blamed for the scandals surrounding its subsidiary Purneftegaz (Yamal-Nenets Autonomous Okrug) and losing its controlling stake in Krasnodarneftegaz for failing to pay out dividends. (*Nezavisimaya gazeta*, 30 April)

If the Russian government ignores Orenburg's opinion regarding ONAKO's inclusion in a state holding, the oblast administration is prepared to take it to court. However, Prime Minister Yevgenii Primakov is not willing to go down without a fight, *Profil* reported on 26 April. On 21 April he lobbied the Federation Council, announcing that it was necessary to create a national oil company that included ONAKO.

TATARSTAN WILL NO LONGER PRODUCE CHEVY BLAZERS. Last week the Yelaburg auto factory in Tatarstan stopped assembling Chevrolet Blazers. The automobiles were the product of the YelAZ-GM joint venture organized in 1995. One-fourth of the stock belongs to General Motors and the rest is divided equally between the Russian and Tatarstan governments. The first Blazers came out of Yelabuga in December 1996, with expectations that production would increase from 500 automobiles per month to 50,000 per year by late 1998. Yet after two-and-a-half years, annual production never surpassed 1,600, more than 30 times lower than projected. Tatarstan's Blazers joined the unfortunate victims of the August 1998 financial crisis, which dramatically cut the average Russian's purchasing power. YelAZ-GM tried to adjust to the crisis conditions by dropping Blazer prices by one-third, and in January every person who purchased a Blazer was promised 3,000 liters of free gasoline for 1999. Now YelAZ will produce Opel Vectras, the first 50 of which should be finished this month. It seems that the demand in Russia's auto market is not for luxury cars but for more reasonably priced basic models in the style of the typical four-door, five-seat sedan. (*Kommersant Daily*, 5 May)

REGIONS BATTLE WITH SALES TAX. On 28 April the Moscow Oblast Duma voted against introducing a sales tax in the region. A 5 percent sales tax was originally adopted last year and signed by Governor Anatolii Tyazhlov on 31 December 1998. Yet

the list of goods exempt from the tax was so extensive that nearly two-thirds of all goods could not be taxed. Nevertheless, the tax would have brought one billion rubles into the budget per year. Even though the oblast needed additional revenue, the дума did not rush to impose any new taxes. Only after the Moscow City Дума refused to raise the city's sales tax from 2 percent to 5 percent did the oblast дума reconsider the question (see *EWI Russian Regional Report*, 15 April). The Moscow Oblast Дума deputies felt that the 5 percent sales tax was viewed as compensation for lowering the Value Added Tax from 20 percent to 15 percent. However, the VAT will not be lowered, and thus introducing a sales tax will inevitably lead to an increase in prices. (*Kommersant Daily*, 29 April)

Vladimir Oblast also found that the small number of goods subject to the sales tax prevented it from serving as a useful tool for building revenue. The oblast had adopted its sales tax in December 1998, but the duty only applied to nine types of expensive goods. Thus, the tax brought just 5.3 million rubles into the oblast budget for the first quarter in 1999 instead of the anticipated 54.3 million rubles. However, rather than abandoning the sales tax in order to prevent price increases, Vladimir chose to amend its tax law to increase the number of goods subject to the tax. As of 1 May the region's 5 percent sales tax applies to all goods with the exception of 70 basic goods and services as defined by federal law. The sales tax is expected to bring in a total of 217 million rubles this year. (*Finansovaya Gazeta - Regionalnyi Vypusk*, 30 April)

REGIONS FACE DEFAULTS. The recent concern that Moscow City may face debt default over the next several months (see *EWI Russian Regional Report*, 29 April) has drawn attention to other regions confronted with looming foreign debt payments. Yamal-Nenets is also on the verge of a default on a \$100 million principal payment on a syndicated loan that was later repackaged into bonds, and is currently negotiating with creditors to restructure the loan. Tatarstan defaulted on a \$100 million syndicated loan in November 1998, and the republic's oil company, Tatneft, missed a 29 April payment on a \$13.5 million coupon for its \$300 million Eurobond. Tatneft is expected to pay within a 15-day grace period. Nizhnii Novgorod barely avoided defaulting on a \$4.4 million coupon payment on its Eurobond in April, and does not expect to gather enough to pay its October coupon (see *EWI Russian Regional Investor*, 21 April). A grave concern regarding regional debts is that no one knows exactly how much has been borrowed because much of the regions' foreign debt consists of syndicated loans. (*The Moscow Times*, 5 May)

SUBWAY IN MOSCOW DEFENSE INSTITUTE. The Subway sandwich chain has opened a 40-seat restaurant in the Moscow State Bauman Institute, a closed defense facility. The eatery is a joint venture between two Russian businessmen, Gennadii Kochetkov and Valentin Tarakhtelyuk, and US-based Subway, with each side investing \$130,000. This is the first Subway joint venture to open since the US company was forced out of its St. Petersburg joint venture in 1995 by the Russian partners, who took over the store and renamed it Minutka. Subway sued its Russian partners and won, yet Russian authorities have not been successful at enforcing the court's ruling (see *EWI Russian Regional Report*, 26 March 1998).

Subway officials admitted that opening an American eatery in a closed institute

with a clientele of 12,000 students on limited incomes may not appear to be a profitable business plan, but feel that it is a good way to enter the Moscow market. The shop, importing 90 percent of its ingredients, is more expensive than the cafeteria in the building, yet the prices are not unreasonable, with combination meals for 36 rubles (\$1.40) and pizza slices at 10 rubles. (*The Moscow Times*, 30 April)

PATTERNS OF REGIONAL DEVELOPMENT

BELGOROD PREPARES FOR GOVERNOR'S ELECTIONS. Belgorod Oblast will hold its gubernatorial elections on 30 May, seven months earlier than originally scheduled. Incumbent Yevgenii Savchenko was elected for a four-year term on 17 December 1995, when the State Duma elections were held. Yeltsin then allowed 12 governors to stand for election on that date, just six months before the 1996 presidential elections, because he considered them loyal and likely to win. On 20 February 1999 Savchenko convinced the oblast legislature to move the elections up from December 1999 to May, apparently to prevent his opponents from preparing effective, full-scale campaigns against him (*Komsomolskaya pravda - Voronezh*, 26 February). The Communist Party has unsuccessfully protested this decision. (*Belgorodskaya pravda*, 10 March)

Of the eight candidates, three have realistic chances of winning. Besides Savchenko, they are Communist Mikhail Beskhmel'nitsyn, an auditor for the Russian Federation Accounting Chamber, and Liberal Democratic Party of Russia leader Vladimir Zhirinovskiy.

Despite the active campaign waged by his opponents, Savchenko only submitted his signatures for official registration on 3 May. Nevertheless, every day he visits various parts of the oblast, holds meetings, and draws attention to his activities. He did not even attend the recent meeting of the Federation Council in Moscow, which discussed the fate of Procurator General Yurii Skuratov, so that he could stay home and campaign.

In Moscow, Savchenko's main supporter is Agrarian Party Chairman Mikhail Lapshin, who visited Belgorod in April. At meetings with the leaders of Belgorod's agricultural enterprises, Lapshin all but openly called on members of the audience to vote for Savchenko. Lapshin argued that the agricultural situation was better in Belgorod than in other regions and especially emphasized Savchenko's success in providing gas to regional customers and building roads. Lapshin warned that if the population did not support Savchenko, then Zhirinovskiy would come to power and the region "could forget about future growth." He also claimed that Zhirinovskiy would reduce Belgorod to the level of Kursk, where former air force pilot and Russian Vice President Aleksandr Rutskoi is now the governor.

Savchenko's main support base consists of middle-aged and elderly rural residents and urban pensioners. Veterans also back him because he built a monument nearby commemorating a tank battle. Such segments of the population are the most likely to turn out on election day.

The Belgorod State Television and Radio Company actively supports the governor, broadcasting information about his current activities, past accomplishments, and plans for the future if he is re-elected. Local newspapers also back the governor and have recently begun publishing material critical of Beskhmel'nitsyn and Zhirinovskiy.

Zhirinovskiy's backers have already swung into high gear and are now going door-to-door offering voters T-shirts or caps in exchange for a Zhirinovskiy vote. Beskhnelnitsyn understands that Russian voters could accept Zhirinovskiy's gift and vote for someone else, so he is not wasting his money on such presents. There is circumstantial evidence that President Yeltsin's local representative, Sergei Kisin, and the local representatives of the Federal Security Service and tax services support the Communist Beskhnelnitsyn. The Agrarians' decision to support Savchenko while the Communists back Beskhnelnitsyn marks a split in the Popular Patriotic Union of Russia, which unites these leftist groups under one umbrella. (see *Segodnya*, 29 April)

During a recent two-day visit to Belgorod, Zhirinovskiy explained his electoral strategy. He said that the LDPR is using the Belgorod gubernatorial elections as a rehearsal for the more serious State Duma and presidential campaigns. His main slogans are free education, reduced unemployment, support for the local banking system, and stepping up the battle against crime. Zhirinovskiy claims that he will soon bring a large number of campaign workers to the region to sponsor his effort. - Sergey Sarychev in Kursk

POLITICAL CRISIS DEEPENS IN VORONEZH OBLAST. On April 20 the deputies of the Voronezh City Council apparently impeached Voronezh Mayor Aleksandr Tsapin and named his replacement. Now there are two mayors in Voronezh: Tsapin and Vasilii Kochergin.

The conflict began when council members Oleg Berg and Galina Kudryavtseva suggested discussing the status of council members who hold more than one office ("*deputaty-sovmestiteli*"). Seven deputies in the council also hold various positions in the city administration. Among them there are Deputy Mayor Dmitrii Zhukov, Consumer Department Chairman Oleg Kuznetsov, Leninskii Raion Chairman Sergei Koliukh, Zheleznodorozhnii Raion Chairman Sergei Kordyov, Levoberezhnii Raion Chairman Sergei Pushkarskii, and Central Raion Chairman Valeriy Stolyarov. Berg and Kudryavtseva argued that these deputies should be stripped of their seats in the council. Berg cited a Constitutional Court ruling that stated that according to the Voronezh Oblast Electoral Code newly elected deputies should leave all other offices within three days of their election. Although the Constitutional Court refused to rule on this case, it ordered the Leninskii Raion Court to consider the case as soon as possible. Berg and Kudryavtseva thus figured that the presence of the city administration officials in the city council was thus deemed unconstitutional.

By the time Berg and Kudryavtseva had finished explaining why all the deputies with two jobs should be removed at the 20 April session, all the deputies holding more than one office and their supporters had already left the council chamber. The 19 deputies who remained voted to remove the seven deputies in question. The number of city council members was thus reduced from 33 to 26 and the 19 deputies remaining could be considered a qualified majority. Those 19 included members of the local Communist Party (KPRF) branch, businessmen and some independents.

The new council super-majority then went on to change the city charter by simplifying the process of impeaching the mayor. With these changes in place, the council voted to remove the mayor with 18 "ayes" The council accused Tsapin of not complying with the city's 1998 budget and consequently increasing the level of social

instability in Voronezh, destroying the city's municipal housing and communal services system, and abusing power by inappropriately spending money from the city's non-budgetary funds. Oblast Electoral Committee Chairman V. Kalitvin and Deputy Oblast Procurator V. Mitko (the Oblast Procurator Aleksandr Frolov was in the hospital at the time) arrived at the meeting and voiced their concern about what was taking place. After that, three Communist deputies left the meeting. Berg assured the rest of the deputies that they still constituted a "simple" majority of the council and thus could settle any matters. The 16 remaining deputies then elected a new mayor, Vasiliy Kochergin.

Kochergin has long sought to be Voronezh's mayor. He won only 60,000 votes in the first (and last) direct mayoral elections in December 1995, losing to Tsapin, who won with 275,000 votes. At the time Kochergin was the head of the Leninskiy rayon, but he then lost this position. Tsapin resigned from the mayor's office to compete in the gubernatorial elections of December 1996, but failed in his bid to unseat incumbent Ivan Shabanov. In March 1997 both Tsapin and Kochergin were elected deputies of the city council. It was decided that the deputies should elect the mayor from the members of the council. Tsapin returned to his old office with 24 votes, while Kochergin received only nine.

On 21 April, the day after the dramatic council meeting, both mayors gave press conferences. Of course, Tsapin blamed everything on Kochergin and Kochergin blamed everything on Tsapin. On 22 April Voronezh Governor Shabanov chaired the City Council session. He needed all his political skill and experience to handle the situation. Observers noted that by working to find a resolution to this conflict, he dramatically increased his local popularity. (*Voronezhskie Vesti*, April 23) It was agreed that all the decisions of the 20 April council session should be annulled and both parties should wait for the final decision of the Russian Supreme Court. Shabanov promised to use his influence to convince the court to hear the case. After the session, Shabanov said: "The situation is pretty annoying, but I don't think that Voronezh will become a second Vladivostok. We just have to wait for the Supreme Court's decision and obey." Shabanov also said that he was partly to blame because he did not play a larger role in Voronezh city politics. "I placed too much trust in the City Council," he complained. A prominent Voronezh political scientist Aleksandr Slinko, on the other hand, suggested that "the Tsapin - Kochergin conflict is a 'planned conflict' that follows the 'nearly-legitimate' Vladivostok pattern." (*Voronezhskie Vesti*, April 23)

Voronezhskie Vesti blamed Tsapin and his entourage for the political crisis, saying that he should not have amended the city charter to give up direct mayoral elections in the first place. Presidential Representative in Voronezh Oblast Boris Kuznetsov shared this opinion, arguing that the city authorities should be elected in legitimate ways. His statement suggested that both Tsapin's 1997 mayoral election and the action of the council to elect Kochergin were not entirely legitimate. The Entrepreneurs' Association of Voronezh, an organization that plays an important role in local politics, published a declaration in which it suggested holding mayoral and city council elections simultaneously with the State Duma elections in December 1999. (*Voronezhskie Vesti*, 23 April) Governor Shabanov, on the other hand, does not like the idea of universal suffrage: "Well, I was elected by universal suffrage. So what? I still have to take into account the local legislature." (*Voronezhskiy Kurier*, April 27)

Novaya Gazeta v Voronezhe speculated that the alliance between the Communists and the businessmen in the council was simply one of convenience to get rid of Tsapin. Many believe that the Communists want to see their own man, KPRF Oblast Committee First Secretary Ruslan Gostyev, as the new mayor. (*Novaya Gazeta v Voronezhe*, 27 April and 5 May)

On 27 April the Russian Federation Supreme Court refused Shabanov's request to consider the case of "deputies holding more than one office," sending it back to the Leninskii Raion Court. That destroyed the fragile truce between the two factions in the City Council. On 28 April two council sessions took place: one led by Tsapin and the other by deputies Berg and Kudryavtseva. Tsapin's council appealed to the Oblast Duma to look into the matter (<http://www.gazeta.ru/daynews/30-04-1999/80region.htm>). The "alternative" council announced the creation of a special commission that will be in charge of "the transfer of executive power ." (*Voronezhskie Vesti*, 30 April) Thus, the Vladivostok scenario becomes more and more likely. - Andrei Muchnik in Voronezh

SHAIMIEV PROPOSES MOVING UP TATARSTAN'S LEGISLATIVE

ELECTIONS. Just before leaving on a two week vacation in Karlovy Vary, Tatarstan President Mintimer Shaimiev proposed moving up the elections of the Tatarstan State Council from March 2000, when they are now scheduled, to December 1999 so they can be held simultaneously with the State Duma elections. Shaimiev suggested that holding the elections on the same day would save money and prevent candidates from running for office in both bodies.

Others in the republic, however, believe that Shaimiev has different reasons for moving up the elections. For example, there is growing discontent in the republic with the poor economic situation and the Tatarstani authorities' inability to deal with it effectively. Even the loyal Committee of Trade Unions recently had to admit that the overall standard of living in the region had fallen significantly and was now worse than the Russian average. Thus the authorities want to hold the elections before their rating among the population drops even lower.

Additionally if the republican and national elections are combined, then it will be easier to hide such questions as the election of mayors (they are currently appointed by the republic president although constitutionally they should be elected) and the formation of a professional parliament and multi-party system, something Shaimiev considered an important issue in 1995, but has do anything about.

It remains unclear how the republican legislative elections will be conducted. It is no secret that Tatarstan's electoral law differs significantly from Russian legislation and is much less democratic. Possibly the national elections could be held under one system and the republic elections under another. Since Shaimiev controls the legislature, it will not be difficult for him to push through any decision that he believes would be convenient for him. - Midkhat Faroukshine in Kazan

VLADIVOSTOK ELECTIONS OPEN WITH SCANDAL. The absentee balloting that began in Vladivostok on 1 May for the city's legislative elections to be held on 16 May is already plagued with scandal. As they entered the polling place, voters were handed two ballots, a pink one issued by the city electoral commission headed by Ilya Grichenko and a blue one printed by the commission subordinate to acting Mayor Yurii

Kopylov. The color of the two papers was not the only distinguishing factor: former Vladivostok Mayor Viktor Cherepkov and one of his allies were omitted from the blue ballot since Kopylov's commission refused to register them for the race.

A threatening telegram from the Central Electoral Commission followed and the next day Kopylov's blue ballot disappeared. However it served the purpose of discrediting the elections in the eyes of voters who are tired of such scandals. In the first week only 20 people have cast votes. In their telegram, the federal officials held Krai Electoral Commission Chairman Sergei Knyazev and City Electoral Commission Grichenko personally responsible for the possible disruption of the elections caused by distributing the illegal ballots. - Yevgenii Popravko in Vladivostok

CENTER-PERIPHERY RELATIONS

STATE DUMA SESSION REJECTS REGIONAL PLAN FOR BAM. The participants of a special State Duma session held in Irkutsk on 27 April to discuss a law on creating a special economic zone around the Baikal Amur Railroad (BAM) decided not to examine an alternative proposal offered by the administrations of Irkutsk, Chita, Buryatiya and Sakha (Yakutiya) (For additional background information on BAM, see *EWI Russian Regional Report*, 7 April). Deputy Duma Speaker Sergei Baburin said that accepting all the proposals of the regional governments would delay the adoption of the legislation by "a minimum of eight years." However, the Duma will include some of the regional proposals in the final draft of the bill, Duma Industry Committee Chairman Anatolii Gusev said.

On 14 April, the Duma approved the BAM legislation in the first of three readings. Both the federal government and the regional leaders of the affected area believe that the Duma's version of the bill is seriously flawed. In particular, they believe that the bill needs to pay more attention to resolving social issues in the area. In his remarks, for example, Irkutsk Governor Boris Govorin stressed that the law needed to work in the interests of the residents who live in the BAM region. In its current form, the legislation does not explain how the federal, regional and local governments will work together to make the BAM a profitable enterprise. The bill also does not explain the role of the Railroads Ministry, which obviously has an enormous stake in the project. The participants in the session recommended that the BAM law be adopted only after the State Duma passes legislation regulating special economic zones in general.

The BAM was originally built to facilitate the exploitation of Siberia's mineral resources. It has proved ineffective because it does not link many of the main deposits. The Railroads Ministry now plans to lay additional track to connect these deposits to the main line, which runs parallel to the Trans-Siberian line. The BAM cost 18.7 billion rubles (in 1991 values) to build and incurs an additional 1 billion current rubles in losses each year.

One of the main issues of dispute over the legislation is what will be included in the free economic zone. For example, State Duma Deputy Chairman Yurii Ten said that to prevent the special economic zone from turning into a "black hole" that would suck up taxes otherwise destined for the state budget, it was necessary to limit the kinds of tax benefits that would be offered. He said that benefits would not be given to food producers, electronics manufacturers, or light industry because then the zone would

simply become a channel for importing cheap goods from abroad while hurting businesses based in Irkutsk.

Irkutsk Deputy Governor Yuri Berezutskii, on the other hand, argued that the legislation merely served the interests of the railroad and did not envision the balanced development of the BAM region. He pushed for paying more attention to developing light industry, the food sector and road construction and criticized the bill for only including proposals to facilitate natural resource extraction.

It will be extremely difficult to prepare a final draft that satisfies the Railroads Ministry, the federal government and regional governments. In particular, it is not clear how the profits from the exploitation of the natural resources will be divided. According to the legislation, the BAM zone will be governed by a managerial organ to which the federal government and the regional governments will delegate some of their authority. It remains unclear how this new body will be formed and function. - Teleinform in Irkutsk

IZVESTIYA PUBLICATION ON POSSIBLE CORRUPTION IN KALININGRAD HITS HOME. The investigative article "The Kaliningrad 'Black Hole'" published in *Izvestiya* on 23 April by Journalist Igor Korolkov was reprinted by several newspapers in Kaliningrad. The article purportedly explained one of the ways Governor Leonid Gorbenko and Vice Governor Mikhail Karetnii allegedly siphoned money out of the state budget.

According to the report, by the fall of 1996 LUKoil owed the federal government 221 million rubles (221 billion old rubles). The federal government owed Kaliningrad the same amount. Thus in theory, LUKoil could pay the sum directly to the oblast in oil products rather than money, avoiding the Russian Ministry of Finance altogether. In such a way all the debts could be paid off: LUKoil would give Kaliningrad veksel (promissory notes) worth 221 million rubles, the oblast administration would give bonds to the LUKoil subsidiary LUKoil-Kaliningrad, and it would then deliver petroleum products to the oblast. For the money-starved oblast, this deal seemed like an invaluable gift.

In fact, however, things did not work that way. LUKoil-Kaliningrad only gave the oblast 90,000 tons of fuel oil, about a fifth of the oil that it owed. But the administration did not pay for this oil in either veksel or money. While LUKoil was delivering the fuel oil, then Vice Governor Karetnii took control of the deal. Karetnii was the former director of the Baltika bank and, after serving as vice governor, became head of the Regional Fund for the Development of Kaliningrad Oblast. Instead of paying off LUKoil, the administration unexpectedly took a 95 million ruble loan from the Moscow commercial bank Rostrabank at 70 percent interest. Thus, in order to pay the loan, the oblast needed to spend 155 million rubles and it was not clear where this money would come from. At the same time the oblast administration gave the 221 million rubles worth of LUKoil veksel to the firm "Russian Financial Traditions," getting in return Rostrabank veksel valued at 155 million rubles. In this deal the oblast lost 65 million rubles for no apparent reason. Apparently the oblast authorities needed to quickly attain money to pay public sector employees their salaries, pensions and generally lower the level of social tension in the region. The oblast used the veksel to pay off its 155 million ruble debt to Rostrabank. The LUKoil veksel were traded to other enterprises which then used them to acquire petroleum products from LUKoil.

Korolkov charged that the oblast lost money twice. First when instead of petroleum products it received veksels worth 65 million rubles less than the value of the oil and then when it paid 60 million rubles for the 95 million ruble credit. The losses totaled 125 million rubles. Additionally, the oblast ultimately had to use its own money to pay for the 90,000 tons of fuel oil which LUKoil had delivered.

In his article, Korolkov accuses Gorbenko and Karetnii of skillfully removing money from the federal and oblast budgets. Korolkov believes that these operations would have been impossible without the support of former Deputy Russian Finance Minister Vladimir Petrov. The general procurator has filed charges against Petrov for carrying out similar operations in other regions. Korolkov suggests setting up a Russian equivalent of the American FBI which could investigate complicated economic crimes, such as this alleged example of corruption.

The governor rejects the charges. According to his press service, "Igor Korolkov, using inaccurate information, is doing everything possible to defame Kaliningrad's executive and business circles. Any expert could explain the absurdity of the accusations on the basis of the financial calculations made by the author. Certain circles interested in exacerbating social tensions need this kind of information to destabilize the region. It is unfortunate that some members of the media decided to spread these falsehoods." - Yekaterina Vasileva in Kaliningrad

NAZDRATENKO STRENGTHENS POSITION IN CENTER. In an assignment that is a clear demotion, General Viktor Kondratov, the former presidential representative in Primorskii Krai and head of the region's Federal Security Service (FSB), has been appointed the FSB representative in Moldova. Kondratov, a vocal opponent of Primorskii Governor Yevgenii Nazdratenko, was removed from both positions and returned to Moscow in March (see *EWI Russian Regional Report*, 25 March). Kondratov will serve as an attache for issues of national security at the Russian embassy in Chisinau.

This appointment is evidence that Kondratev, who supported former Vladivostok Mayor and Nazdratenko opponent Viktor Cherepkov, has fallen into disgrace. Such "diplomatic exile" has been a Russian method of punishment since Khrushchev's time when former Prime Minister Vyacheslav Molotov was sent to the embassy in Mongolia. Over the past several weeks rumors spread through the mass media that Kondratov would soon replace Vladimir Putin as director of the Russian FSB. It seems that these rumors from "confidential sources" were initiated by circles close to the governor as a ploy to hurt Kondratov's standing with the federal authorities or to cast a more negative light on his forthcoming appointment to Moldova.

This event is evidence of the further strengthening of Nazdratenko's position in the capital. Aside from supporting the liquidation of his opponents, Moscow is demonstrating other signs of inclination towards Primorskii Krai's governor. The other day he returned from Moscow with three honors--a certificate from the Federation Council, the order "For Service to the Fatherland," presented to him personally by President Yeltsin, and an Astra Unseta pistol given to him by Putin for "service in ensuring the security of the state." - Yevgenii Popravko in Vladivostok

ELECTIONS 1999/2000

PERM'S COMMUNISTS UNITE. Not long ago Perm's various communists groups came together to form an organization called Permkomsyuz. The first and second secretaries of the Communist Party of the Russian Federation (KPRF), the Russian Communist Workers Party, the All-Russian Communist Party (Bolsheviks), the Communist Party of the Soviet Union (KPSS), Tovarishch, and the Movement in Support of the Army attended the first session of the new organization's coordinating council. KPSS regional branch leader, entrepreneur Aleksandr Chetin, heads Permkomsyuz.

The new organization came out of the communist groups' need to ensure that they do not disagree on fundamental issues of political life and to not waste time defining their relations to each other. The organization met on 27 April to discuss their participation in May Day festivities. - Andrei Suslov in Perm

CROSS-BORDER TRADE

FLOATING TENGE FORCES OMSK SPECULATORS OUT OF BUSINESS. In the first two days after Kazakhstan's government and national bank allowed the country's national currency, the tenge, to float, it fell from 87 to 138 tenge to the dollar. Now the Omsk currency speculators are left with only memories of the lucrative deals they were able to make following the beginning of Russia's financial crisis in August 1998 and the sharp devaluation of the ruble. While the tenge was pegged to the dollar it was possible to buy dollars cheaply in Kazakhstan and sell them for a higher price in bordering Omsk. For the seven months that the Kazakhstani government artificially maintained the tenge's rate, many Omsk speculators made a killing in the currency market. Now that the dollar's rate in Russia and Kazakhstan are about the same, there is no longer room for such speculation. - Marina Chukhlomina in Omsk

REGIONAL LINKS

Russian Beer and LUKoil (<http://www.interfax-mcn.com/>) This site provides business information to paying customers. However, it offers free samples including an interesting overview of the Russian beer industry and extensive information on LUKoil.

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Russian Regional Report
Vol. 4, No. 18, 12 May 1999

Russian Cohesion Index: -42 (down 25 this week)

Disintegration.....T.....L.....0.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

*****See the RRR website (<http://www.iews.org/rrrabout.nsf>) for a graphic display of the Russian Cohesion Index since 17 March.*****

----- Yeltsin replaced Prime Minister Yevgenii Primakov with Minister of Internal Affairs Sergei Stepashin. That ministry has been one of the few that has been exerting federal authority in the regions through anti-terrorist campaigns in the North Caucasus and attempts to wipe out corruption elsewhere. In addition to destabilizing politics at the federal level, the appointment will provoke considerable concern among the governors who want to protect the hard-won loosening of central control. The *EWI Russian Regional Report* will issue a special report on the regional reaction to this news in the next few days. (-25)

----- Belarusan President Aleksandr Lukashenko visited Volgograd during the May holidays as part of his on-going campaign to increase economic ties with Russia and bolster his political image. Increased cross-border trade is good, but Lukashenko's growing political stature in Russia could strengthen dictatorial tendencies. (-1)

----- Regional authorities are cracking down on journalists in preparation for the elections. Still reeling from the economic difficulties caused by the 17 August crisis, many journalists will be less able to maintain any degree of independence. (-1)

+++++ Numerous business deals are moving ahead, from Skoda's plans to assemble cars in Udmurtiya to an Omsk factory's successful attempts to launch satellites into orbit. (+1)

+++++ Candidate Yurii Luzhkov is finding a warm reception in such regions as Rostov. His energy may inspire Russians to make their country strong again. Perhaps this aspect of his leadership will outweigh his less positive features. (+1)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Elections 1999/2000

Luzhkov in Rostov: "You Can't Knock Such a Person out of the Saddle"

Orenburg Prepares for Duma Elections

Patterns of Regional Development

Penza's Bochkarev Marks One Year in Office

Media Issues

Saratov Oblast Duma Cracks Down on Journalists

Journalists Prepare To Cover Elections

Political Economy

Politically Sensitive Bread Prices Rising in Nizhnii Novgorod

Banks Lose Interest in St. Petersburg Military-Industrial Complex

Foreign Ties

Belarus's Lukashenka Visits Volgograd

Advertisement

EWI Handbook of Russian Regional Executives

Sponsoring a book contest turns out to be a lot like having children: you don't realize what you are getting into until it is much, much too late. We have been very happy with the eclectic list of books recommended, but have not been able to get a hold of them all as they are either checked out from the New York University library, out-of-print, or, in one case, not even published yet! We hope to be on top of the situation by the fall. Sorry for the delay, but we hope that you will use the intervening summer to read all the books that have been suggested so far!!

RRR Editors

BREAKING NEWS

POLITICS

LUZHKOVA DECLARES PRIMAKOVA DISMISSAL UNJUST. On 12 May Russian President Boris Yeltsin dismissed Prime Minister Yevgenii Primakov and appointed First Deputy Prime Minister Sergei Stepashin as acting prime minister. Moscow Mayor Yurii Luzhkov declared Primakov's dismissal unjust and wrong "from a business, state and personal point of view," BBC Worldwide Monitoring reported on 12 May. Luzhkov said that there were no serious reasons for dismissing Primakov. Nevertheless, Luzhkov does not feel that Russian President Boris Yeltsin exceeded his constitutional powers. Luzhkov stated, "With an overwhelming regret over Primakov's dismissal, we must accept this decision as legal." He warned that it was important "not to give the authorities a reason to escalate the situation to an emergency," and emphasized maintaining order in the city. (For more of Luzhkov's views on Primakov, see the article "Luzhkov in Rostov" in this issue.)

VIOLENCE PERSISTS IN KARACHAEVO-CHERKESIYA. Terrorist acts against the two candidates in the run-off for Karachaevo-Cherkesiya's first presidential elections set for 16 May continue to disrupt the once peaceful North Caucasian republic. The onslaught of terrorist activities in early May targeted the top candidate, Cherkessk Mayor

Stanislav Derev (see *EWI Russian Regional Report*, 6 May). The violent acts against Derev have not ceased -- one of his campaign offices was set on fire on 5 May (*Kommersant Daily*, 6 May) -- and attacks against his competitor, former ground troops commander Vladimir Semenov, have increased. On 9 May there was an explosion at Semenov's campaign headquarters in Karachaevo-Cherkesiya's capital, Cherkessk, BBC Worldwide Monitoring reported on 10 May.

As violence persists in the region, the possibility of federal intervention increases. On 4-6 May First Deputy Prime Minister and Minister of Internal Affairs Sergei Stepashin met with both candidates and the republic's current leader, Vladimir Khubiev, firmly reiterating that if the situation continues to deteriorate after the 16 May election, Moscow will take control of the republic's governance. Stepashin announced that about 700 additional police forces from other regions will be sent to the republic to help ensure order during the election. (Russian Public Television [ORT], 5 May)

Some have attributed the violence to ethnic tensions between the republic's Karachai (31.2 percent) and Cherkes (9.7 percent). Semenov is Karachai and Derev is Cherkes, thus there is grave concern among the respective groups that their rights and representation may be compromised if the new president is of a different nationality. However, *Izvestiya* argued on 7 May that the nationality of the two candidates does not play a role in their competition. It described Derev as a technocrat who relies less on the Cherkes population and more on businessmen and active cooperation with the region's ethnic minorities. Semenov, who spent a considerable part of his life serving in the Russian army, is described as resembling an imperial servant. The newspaper suggested that the theoretical conflict between the Karachai and Cherkes might really reflect the groups' competition for land, particularly around the Alpiiskii pasture.

CHECHNYA ADOPTS ISLAMIC CONSTITUTION. Chechnya is completing its new constitution, introducing a government based on Islamic Sharia law, fulfilling the decree issued on 3 February by Chechen President Aslan Maskhadov. According to secretary of the state committee for drafting the new constitution Dolkhan Khazhaev, the constitution must still be translated from Russian into Chechen before it will be made public (the Chechen-language version will be the only one published). He noted that the new constitution draws on the Koran, Sharia law, Sunni prophets and Chechen customs and traditions as well as the constitutions of several Islamic states including Pakistan, Egypt, Iran and Syria. The new constitution introduces governance by a "mekhkda," or "father of the nation," in whose hands most of the state's powers will be concentrated, and a "council of the nation," which will replace the parliament and ensure that all the republic's laws are in accordance with the Koran.

The new constitution will not go into effect until the four-year terms of Chechnya's current president and parliament members, who were elected in 1997, expire. Under the new constitution, only Muslims will be allowed to vote or run for office. Non-Muslims are essentially left without any electoral rights or representation. (*Nezavisimaya gazeta* and *Izvestiya*, 7 May)

Meanwhile, on 10 May a Chechen government working group led by Deputy Prime Minister Lom-Ali Alsultanov arrived in Moscow for talks with representatives from the presidential administration to determine the exact date and venue for the meeting between Russian President Boris Yeltsin and Chechen President Aslan

Maskhadov, BBC Worldwide Monitoring reported on 10 May. Maskhadov is expected to arrive in Moscow on 13 or 14 May.

GUSTOV RETURNING TO LENINGRAD POLITICS. Former First Deputy Prime Minister Vadim Gustov, who was dismissed on 27 April in favor of Minister of Internal Affairs Sergei Stepashin, has announced his candidacy for the Leningrad Oblast gubernatorial elections set for 19 September 1999. Gustov left his position as the region's governor in September 1998 when he was appointed as first deputy prime minister in charge of regional affairs in Prime Minister Yevgenii Primakov's newly formed cabinet (see *EWI Russian Regional Report*, 23 September 1998).

According to *Kommersant Vlast*, Gustov quickly acquired influential enemies in the federal government, particularly in the Ministry of Finance. The Ministry of Finance has had to handle several of the economic and financial problems Gustov left in Leningrad Oblast, the most noteworthy being its recent default on a \$50 million foreign bank credit (see *EWI Russian Regional Investor*, 6 May). Long before that default, it was clear that Gustov's economic stewardship had been catastrophic for the region. Yet, over the past several months, rumors had circulated among the region's political elite that Gustov would resign from the federal government and run for his old job. Following his dismissal, Gustov told reporters that he had recently discussed his resignation with Primakov.

The initial reaction to Gustov's return to regional politics appears favorable, and it seems that the Leningrad bureaucracy is ready to welcome him back to the ranks, *The Moscow Times* reported on 7 May. Seven candidates have already announced their candidacy, including Leningrad Oblast Acting Governor Valerii Serdyukov, former St. Petersburg police chief Anatolii Ponidelko, and former presidential representative to the region, Fedor Shkrudnev. Head of the Communist Party of the Russian Federation (KPRF) Gennadii Zyuganov announced that the KPRF would support Gustov's candidacy. Liberal Democratic Party of Russia leader Vladimir Zhirinovskiy had expressed an interest in running for the post, but has since changed his mind. Zhirinovskiy intends to participate in the Belgorod gubernatorial elections later this month (see *EWI Russian Regional Report*, 6 May).

NORTH OSETIYA ELECTS COMMUNISTS AND BANKERS. The official results of the 25 April elections to the parliament of North Osetiya were finally announced on 5 May. Sixty-six of the 75 candidates elected have been confirmed as deputies. North Osetiya's branch of the Communist Party of the Russian Federation won the most seats, 13. Enterprise directors, businessmen and bankers won 39 seats. Seven ethnic Russians, one Armenian and one Kumyk were elected. According to the Central Electoral Committee, 11 suits regarding breaches of electoral procedures in single-seat constituencies had been filed with North Osetiya's courts. (*Segodnya*, 6 May and BBC Worldwide Monitoring, 8 May)

KORYAK AND KAMCHATKA SIGN AGREEMENT. On 5 May Koryak Autonomous Okrug Governor Valentina Bronevich and Kamchatka Oblast Governor Vladimir Biryukov signed a cooperation agreement. The agreement came after difficult negotiations between the regions, whose relationship has been strained by legal

ambiguities. Koryak is simultaneously subordinate to Kamchatka and is an equal subject of the Russian Federation in accordance with the Constitution. In 1991 the Koryak Okrug Soviet tried to secede from Kamchatka in hopes of establishing a Koryak republic within the RSFSR. However, the region's indigenous peoples were hardly represented in the Soviet, so Bronevich, (then chair of the okrug executive committee) argued that secession would only create another expensive bureaucracy that would not serve the native peoples. She feels that the Koryak Autonomous Okrug would benefit from deepening its ties with Kamchatka, particularly in the economic sphere. Kamchatka denied rumors that the two regions will merge. (*Izvestiya*, 6 May)

OTECHESTVO OVERTAKING YABLOKO IN ST. PETERSBURG. Recent public opinion polls in St. Petersburg show that Otechestvo is threatening to overtake Yabloko, the traditional favorite, as the most popular party, *Izvestiya* reported on 5 May. In St. Petersburg, Otechestvo draws its support from two powerful groups, scholars and small businessmen. Otechestvo leader Moscow Mayor Yurii Luzhkov is now almost as popular as Yabloko leader Grigorii Yavlinskii and Prime Minister Yevgenii Primakov. Success in St. Petersburg could open the entire North West region for Luzhkov's party. St. Petersburg Governor Vladimir Yakovlev is one of the top leaders of the new Vsyia Rossiya alliance, which is closely aligned with Otechestvo.

YELTSIN MEETS WITH NORTH OSETIYAN PRESIDENT. Russian President Boris Yeltsin met with North Osetiyan President Aleksandr Dzasokhov in Moscow on 5 May to discuss issues of North Caucasian development. Dzasokhov reported the results of the recent meeting of the North Caucasian interregional association (see *EWI Russian Regional Report*, 29 April). In particular he spoke about the participation of several representatives from the Transcaucasus at the session, and about establishing a program for North Caucasian socio-economic development. The situation in the North Caucasus has become increasingly unstable as of late, with outbreaks of violence in Karachaevo-Cherkesiya (see above story) and an increase in crime on Chechnya's borders with Stavropol, Ingushetiya and Dagestan (*Nezavisimaya gazeta*, 6 May).

ECONOMICS

SAKHALIN-3 WINS PRODUCTION SHARING AGREEMENT. Russian President Boris Yeltsin signed a production sharing agreement for the Sakhalin-3 hydrocarbon development project on the Sakhalin Island shelf, giving the project's investors a green light to go ahead in their exploration of the energy resources in the Sea of Okhotsk, *Kommersant Daily* reported on 6 May. Development of these reserves has been slow, however, due to the lack of production sharing legislation that protects investors' investments. At present, Sakhalin-1 and Sakhalin-2 are the only projects in the region operating with production sharing agreements.

The Russian authorities are gradually changing their attitude toward such agreements. At the end of January the Federation Council amended tax and customs legislation in favor of production sharing agreements, and on 14 April and 22 April, respectively, the State Duma and Federation Council approved the Sakhalin-3 agreement. Sakhalin-3 is anticipated to yield more than \$200 billion. Geological studies conducted

in 1996 show that Sakhalin-3's territory, the 7,000 square kilometer Kirinskii block, contains 1.8 billion tons of oil, 873 billion cubic meters of gas, and 62.3 million tons of gas condensate. The Sakhalin-3 project is being developed by Mobil, Texaco, and Rosneft, which each have a one third stake in the venture. (*Kommersant Daily*, *Vremya MN*, and *Izvestiya*, 6 May)

MOSCOW CITY ADOPTS SALES TAX. Moscow Mayor Yurii Luzhkov has finally won his battle with the Moscow City Duma over establishing a sales tax in Moscow. Though Luzhkov and the City Duma have been in favor of introducing a sales tax in the city, they have not concurred on the rate of the tax. In March Luzhkov submitted a bill to the Duma for introducing a 5 percent tax, the maximum allowed by federal law, in order to compensate for the nearly 7 billion rubles of revenue the city will lose this year due to changes in the federal tax code (see *EWI Russian Regional Report*, 25 March and 15 April). The Duma felt that 5 percent was too extreme and amended the bill, setting the tax at 2 percent. Luzhkov, however, has refused to accept a 2 percent tax and has thus vetoed the tax bill two times. The City Duma was still unwilling to accept a 5 percent tax, and ultimately on 5 May settled with the mayor on a 4 percent tax. The new tax will go into effect on 1 July. The city expects to raise 6 billion rubles from the increase. However, the impact on consumers is likely to be greater than a simple 2 percent price hike. The experiences of the more than 40 regions that have introduced sales taxes, in particular Moscow Oblast, which surrounds the city, shows that prices may jump as much as 15 percent to 20 percent. Although essential food items and services are exempt from the tax, most consumers will still feel the indirect impact of the tax on their buying power. For example, some exempt goods and services will also experience price increases since they are indirectly impacted by the higher cost of fuel. Increased prices in Russia's capital city will also likely lead to price hikes in other regions as well, since regional entrepreneurs purchase a considerable portion of their goods directly from Moscow. (*Kommersant Daily* and *Vremya MN*, 6 May)

NEW PIPELINE THREATENS CHECHEN LIVELIHOOD. On 17 April the Baku-Supsa pipeline connecting Azerbaijan to the Black Sea via Georgia officially opened. The 830-kilometer pipeline bypasses Russia, providing stiff competition for the Baku-Novorossiisk pipeline, which passes through Chechnya and is 600 kilometers longer than the Baku-Supsa pipeline. Chechnya blocked the part of Baku-Novorossiisk that passed through its territory for several days in March and April to protest against the Russian government for payments owed for oil transport through the pipeline, causing considerable problems for Azerbaijan oil producers (see *EWI Russian Regional Report*, 1 April 1999). The Baku-Novorossiisk pipeline is a substantial source of income for Chechnya, which received \$10 million from the \$42 million paid to Russia for transit fees in 1998. According to the fee schedule given by Transneft, it costs \$15.7 to transport one ton of oil to the Black Sea via Baku-Novorossiisk, while the cost of shipping one ton through the new pipeline should be only \$2-\$3. (*Russian and Baltic Economies*, 30 April)

ELECTIONS 1999/2000

LUZHKOV IN ROSTOV: "YOU CAN'T KNOCK SUCH A PERSON OUT OF THE SADDLE." Otechestvo leader and Moscow Mayor Yurii Luzhkov brought his campaign to Rostov on 8 May. Luzhkov was a big hit as he skewered the United States, defined his relations with then Prime Minister Yevgenii Primakov, and proved to be an able horseman. His attempts to highlight his virility in relation to the ailing President Yeltsin apparently were successful. One female journalist even commented, "You can't knock such a person out of the saddle."

The Rostov elite now view Moscow as a potentially profitable partner and one that could be very useful given Luzhkov's presidential ambitions, so the locals received their guest from the capital warmly. The local authorities even decided to repave the road along which Luzhkov traveled, something that has not happened since President Yeltsin visited in 1996.

Luzhkov made a major speech to the local chapter of his Otechestvo movement. The hall was filled with the local elite, many of whom had to stand in the aisles. Luzhkov spoke well and was interrupted many times by applause.

Luzhkov began with his usual denunciations of the young reformers. He said that serious people should work together for the normal organization of life and the country's political institutions in order to "stop the chaos, and the rapid changes in personnel." He emphasized that his organization stood for compromise, for gradual change without sharp jumps. "Consistent work will produce results more quickly than simply destroying everything old."

The mayor said that there were positive signs in the economy after 17 August. "I often visit industrial enterprises and see good work." He also noted the increased demand for domestically-produced goods. Now is the time to support rising industries, he said. To this end, Luzhkov suggested that "it is necessary to raise salaries to give people the same buying power that they had before 17 August. Otherwise people will not buy the goods being produced by Russian enterprises because they will not have enough money and we will lose the chance to help domestic industry." Luzhkov specifically wants to help defense enterprises. "If we bury our defense plants, they will split us into parts, and no one will take our opinions into account."

On his relations with the Primakov government, Luzhkov said, "We support the government and its leader Primakov. A normal leader. By the way, I don't need anything from him... and I say: this is the best government leader of those that have come before, for the last several years at least. But I ask: what decisions has this government made? Not one decision to encourage development has been made. Thus our people think that a normal government is one that does not make mistakes. Let it do nothing, as long as it doesn't make mistakes!" (applause) "While actively supporting the government and Primakov personally, we invite the government to solve the problems of production. Which ones? Any - private, state, or mixed production. Look at things from the point of view of the producer and you will not make any mistakes!" (more applause)

Luzhkov spent much of his time discussing Yugoslavia. He labeled NATO's campaign against Yugoslavia "aggression" and pointed his finger specifically at the USA. "I have met with [French President Jacques] Chirac, with other leaders and felt the atmosphere in which NATO makes its decisions. There is no equality there. There are only orders. The USA stands at the front of NATO." Luzhkov argued that NATO had violated its own charter by attacking Yugoslavia and that Russia "should seriously

examine all of its agreements with the Americans from this point of view because they could reject them at any moment." As residents of an agricultural region, Luzhkov reminded his audience that the war is preventing Yugoslavia from planting its crops and that its 10 million population will soon be without grain. Luzhkov said that Russia should help Yugoslavia, but avoid getting involved in the war. "This is a very difficult task - helping but not getting dragged into war." The mayor said that if NATO deploys its ground troops, Russia could not stand by. "We would have to break the embargo and send weapons by sea or by land. Will they shoot down our airplanes? I say to them: stop! Moving in this direction is taking a very serious step toward a third world war!"

"Russia must be strong," Luzhkov concluded. "Our defense preparations should stop anyone who wants to speak to us in the language of threats and rockets. It is the most important task of the state."

The mayor spoke for 90 minutes and made a strong impression with his temperament, simplicity and graphic speaking style. Rostov Governor Vladimir Chub, who remains in the leadership of Our Home is Russia and has supported Samara Governor Konstantin Titov's Golos Rossii, spoke after Luzhkov. Despite his other political affiliations, he said that "I think that Otechestvo will find support here!" In one of the more amusing moments following the speech, the mayor of Novocheboksarsk, a Cossack capital, gave Luzhkov a crystal mace, the symbol of an ataman's power. Playing with the mace, Luzhkov joked, "It's too bad Chubais is not here." Later at the Kirov Horse Factory, Luzhkov rode around the track on horseback to the delight of the audience.

Luzhkov's visit will undoubtedly help the local Otechestvo. It was created in the region as a party of power at the lower level. With the clear support of the administration, many mid-level and low-level bureaucrats, enterprise directors, and university rectors joined the organization. Now these officials are even more confident of their decision. - Andrei Miroshnichenko in Rostov

ORENBURG PREPARES FOR DUMA ELECTIONS. On 17 December Orenburg will elect a new governor as well as participate in the State Duma elections. Local observers now characterize the situation in the region as the quiet before the storm, or a tense pause before the starter fires his pistol.

Orenburg Oil Company (ONAKO) President R. Khramov is also the head of the local chapter of former Prime Minister Viktor Chernomyrdin's Our Home is Russia (NDR). He recently returned to the region from NDR's national congress, but his press conference did not clarify the character and extent of what NDR's campaign activities will be like in the region. Most likely Orenburg will provide a solid base for NDR, which is being challenged by Moscow Mayor Yurii Luzhkov's Otechestvo in other regions. The local administrative and economic elite maintain extremely close ties with Chernomyrdin, which have continued even after he was sacked in March 1998. There is no evidence that Luzhkov or the Moscow financial interests close to him have been able to develop similar ties.

Otechestvo has still not proven itself in Orenburg. The regional conference held on 17 April did not even succeed in electing a chairman of the oblast organization and the organizers will have to return to this question. The head of the Orenburg city Otechestvo, V. M. Kazakov, an employee of Geoneft, is reputed to be close to President Yeltsin's

representative in the region, V. A. Shapovalenko, since they both studied at a local gas field development institute.

NOSTA (Orsko-Khalilovskii Metallurgical Combine) President P. Gurkalov and ONAKO President R. Khramov have both indicated their preliminary intention to seek single-member district seats in the State Duma and both would be heavily favored if they do run. However, it is not really clear if these "regional oligarchs" will really want to give up their current powerful jobs to join the State Duma. Maybe they will run because Chernomyrdin has personally asked them to. Also, Khramov may be seeking new work if ONAKO is subsumed in a new state oil company (see *EWI Russian Regional Report*, 6 May).

The break down of popular support in the most recent opinion polls in the region was: Communist Party of the Russian Federation, 25 percent; Yabloko, 20; Liberal Democratic Party of Russia, 10; NDR, 7; Otechestvo, 4, and "don't know," 17. Given the inherent biases in such telephone polls, the actual support for the left is probably higher, while the support for the right is lower. A Yabloko poll that showed that 35 percent of the population wanted to provide military aid to Yugoslavia also demonstrated the left-leaning nature of the electorate.

In the governor's race, the main contenders are incumbent V. Yelagin and Orenburg Mayor G. Donkovtsev. So far the main campaign debate is over the use of non-budgetary funds controlled by Deputy Governor A. Zelentsov, one of the key members of Yelagin's team. Legislative Assembly member V. A. Bondarenko, the rektor of Orenburg State University and a close ally of Mayor Donkovtsev, conducted an investigation of this question and now a group of legislators are demanding that the governor fire his deputy. However, the governor has categorically refused to do so.

It is still early to predict who will win the race. However, the elections to the Legislative Assembly last year demonstrated the ability of the Yelagin team to control the oblast voters who live outside the city of Orenburg. It is these voters who determine the outcome of any election in Orenburg Oblast. - Dmitrii Goncharov

PATTERNS OF REGIONAL DEVELOPMENT

PENZA'S BOCHKAREV MARKS ONE YEAR IN OFFICE. April 1999 will be noted in the history of Penza Oblast as a month of political triumph for its newly reformist Governor Vasilii Bochkarev. Bochkarev, the former head of the Zheleznodoroshnii Raion, won the governor's office in April 1998 with the backing of groups who saw him as a strong leader. The Kremlin was not happy about his candidacy because he joined the opposition to Yeltsin after the president's attack on the national parliament in October 1993. Yeltsin sent many of his closest associates to block the rise of Bochkarev, including his daughter Tatyana Dyachenko, Anatolii Chubais, Yegor Gaidar, Vladimir Shumeiko and Oleg Sysuev. But the Kremlin advisors miscalculated if they thought that the oblast population, which strongly rejected Yeltsin in the 1996 presidential elections, would support his preferences in the gubernatorial campaign.

During his time in office, local observers believe that the governor has "redistributed power and property." In particular, Bochkarev has successfully completed the construction of the Penza pyramid of power and has placed himself at the apex.

The most recent session of the Penza Oblast legislature approved a new law creating a Penza Oblast government and confirmed Deputy Governor Aleksandr Dolganov as the new prime minister. The changes divide the executive branch sharply into two parts. The governor will address strategic decisions of strengthening and restoring the image of Penza Oblast in its relations with the federal government, the regions of Russia, and foreign states and firms. The governor sets the strategy for developing the oblast and determines key goals for the different members of the executive branch, including its relationship with the oblast legislature. The government will handle the task of stabilizing the oblast's social-economic situation as Russia prepares for its parliamentary and presidential elections. In other words, the governor will handle political tasks, while the government will deal with social and economic issues. The new oblast structure thus mirrors Russia's current federal institutions.

The Penza prime minister will control 11 ministries. Several deputy prime ministers will be involved in coordinating activities, providing representative services, and forecasting the socio-economic situation. They also will serve as intermediaries with the governor. Each ministry will maintain constant contact with the regional branches of the federal government.

The governor will be able to name and remove the prime minister and his entire cabinet, but only with the approval of the oblast legislature. The governor will also have his own staff, which will include a committee for work with the territories inside Penza Oblast; a secretariat; a monitoring department, and a department for special communications, among others. The governor will also set up an oblast-level Security Council, which will bring together the leadership of the local "power ministries." - Irina Rodina

MEDIA ISSUES

SARATOV OBLAST DUMA CRACKS DOWN ON JOURNALISTS. Saratov Oblast Duma Chief-of-Staff Natalya Starshova has adopted a new ruling, which strips journalists of their accreditation to cover the Oblast Duma if they are found to be "distributing incorrect information, insulting the honor and dignity of Duma members or employees of the staff."

Local and visiting journalists have always had difficulty gathering information about the executive and legislative branches of the Saratov government because they encountered problems gaining access to the buildings of the government and Duma, and meeting with the oblast's high-level and mid-level officials. Arrangements, which usually had to be made in advance, could be canceled by officials who cited unanticipated developments. Officials often surround themselves with numerous public relations personnel, whose competence and knowledge about the activities of their employers leaves much to be desired, according to many journalists.

Accreditation procedures and the list of which journalists were loyal enough to be allowed into the oblast government building had changed many times before September 1998, when Saratov Governor Dmitrii Ayatskov signed a special order on press coverage. For the first time, it included a passage about depriving a journalist of accreditation for "repeatedly distorting information." Worried that this provision would put them at the

mercy of bureaucrats, Saratov journalists strongly protested this decree while it was still a draft. Nevertheless, it was adopted unchanged.

Now the Oblast Duma is threatening to charge journalists with distributing information that they believe is incorrect. By adopting this new rule, they are giving themselves the right to decide what is truthful. Oblast legislature members have already made claims against media that have been critical of several of their initiatives.

The Oblast Duma seems to be going even further than Ayatskov's administration because it is making the correspondents' ability to attend legislative sessions dependent on whether the deputies like their reporting. It is hard to say exactly how the new procedures will be implemented since they are just beginning to function. The journalists are also asking whether the rule has a legal basis, since in contrast to the executive order signed by the governor, the Duma's rule was only approved by the chief of staff.

The local media believe that the local authorities approved the stricter accreditation rules in preparation for the upcoming elections. In December 1999 Moscow Mayor Yurii Luzhkov's Otechestvo will face off with the Ayatskov-backed Our Home is Russia. Limiting journalists' access to the Duma will make it harder for them to criticize that body's activities. - Yuliya Yeliseeva in Saratov

JOURNALISTS PREPARE TO COVER ELECTIONS. The campaign tactics employed in the upcoming campaign will be particularly dirty according to presentations made at the recently-concluded seminar on the "Regional Press and Elections -99" in Samara. The Institute for Humanitarian Communication and the Globus Advertising and Information Agency, with support from the National Foundation to Support Democracy, sponsored the conference.

Most of the journalists and editors who participated were interested in finding out how to cover the elections without losing face. Since there is essentially no free, independently-financed press in Russia, the upcoming elections will be a serious test for the media. They will have to withstand financial pressure, law suits, and tempting money.

Given the difficult economic conditions following the 17 August economic crisis, the journalists will be easily bought, warned Institute for Humanitarian Communication Director Iosif Dzyaloshinskii. "We don't want to make angels of you, but when you publish a political advertisement, explain to people how you are making a fool of them," he said to the gathered journalists.

Dzyaloshinskii recommended that the journalists could adopt a variety of approaches to covering the elections. They could provide extensive information about the candidates, pointing out, for example, if they have been convicted of any crimes. They could also ask politicians to explain their approach to various problems in society. Both approaches are worthy, but provide little in the way of financial benefits for the journalists.

Unfortunately, Russian journalists look for entertaining stories that involve celebrities, scandals, and exposes, Dzyaloshinskii said. He argued that such an approach is not completely safe for society. Dzyaloshinskii also noted that many newspapers appear on the eve of the elections and quickly go out of business once the elections are over.

Some editors simply try to avoid the elections. Vladimir Nazarov, the editor of the Saransk newspaper *Stolitsa*, said that "we are going to ignore these elections because the

result does not depend on us. By taking dirty money, we will lose our readers, and we could be killed for publishing the truth. We will focus on the private life of simple people."

Of course, one should not overestimate the impact of the media on the elections. Some polls suggest that 60 percent of the population does not trust the media. Dzyaloshinskii believes that the main consumer of the media today is not the common person, but the authorities, businesspeople, and organized social groups. He said that the "media can do little in politics, but they give people a language of self-understanding. The journalist's task is to present social problems and expose campaign tricks. They should not play on the side of the politicians, but on the side of the population; not against the politicians, but in their own favor." - Sergei Gogin in Ulyanovsk

POLITICAL ECONOMY

POLITICALLY SENSITIVE BREAD PRICES RISING IN NIZHNI

NOVGOROD. Between 23 April and 6 May the price of bread went up 7 percent to 10 percent in Nizhnii Novgorod. The main cause is substantially higher grain prices. Since November 1998, grain prices rose almost three times and now stand at 2,500 rubles per ton. The Nizhnii Novgorod Department of Foreign Economic Ties and Resources has announced that it plans to keep bread prices at their current levels. In order to reduce the social tensions provoked by the higher bread prices, Governor Ivan Sklyarov has reduced the maximum allowable price mark-up for retailers from 25 percent to 20 percent.

Nizhnii Novgorod city authorities have sharply criticized this step. Acting Deputy Mayor Gennadii Balandin said that the governor has unilaterally raised prices twice now despite an agreement that he would first obtain the agreement of the city authorities. Balandin said the city authorities would overrule the price increase within city limits until city officials had reached an agreement with the governor. He also demanded an end to the monopoly the oblast has over grain supplies to the region. In rebuttal, Sklyarov said that the city authorities merely criticized the oblast without organizing any grain supplies to the region themselves. - Yurri Rodygin in Nizhnii Novgorod

BANKS LOSE INTEREST IN ST. PETERSBURG MILITARY-INDUSTRIAL

COMPLEX. The managers of the Arsenal Machine Building Factory have now won five of the seven seats on the plant's board of directors. Until now representatives of Promyshlenno-stroitel'nyi bank and Petrovskii bank held six of eleven seats. The banks had actively bought up Arsenal's shares in 1997, but then sold them off after the 17 August crisis began. Arsenal's managers now control more than 51 percent of the stock. One of the other seats on the board belongs to government representative Georgii Polishchuk. Before the crisis, the banks had planned to buy up the managers' shares by the end of 1999. - Marina Makova in St. Petersburg

FOREIGN TIES

BELARUS'S LUKASHENKA VISITS VOLGOGRAD. Belarusan President Aleksandr Lukashenko's visits to Russian regions are something new in the diplomatic arena, as his recent trip to Volgograd demonstrates. For decades after World War II,

many foreign leaders came to Volgograd after official meetings in Moscow. This week Lukashenka came directly to Volgograd, bypassing Moscow. As a result, his visit to Volgograd seemed partly like an international summit (with the obligatory ceremonies) and partly like a meeting of two regional chiefs.

In an interview with *Volgogradskaya Pravda* (7 May), Lukashenka said that with Prime Minister Yevgenii Primakov at its head, the Russian government "has come to the same conclusions that have been reached in Belarus, and now is increasing the state's role in the economy, and thinking deeply about privatization." Lukashenko also said that "the main foes of the reunification of our countries [Russia and Belarus - I.K.] live abroad -- they are some foreign politicians and foreign alliances."

Lukashenko noted that Belarus has concluded co-operation agreements with 66 Russian regions, and that more than 80 regions currently trade with Belarus. In 1998 Lukashenko visited eight Russian regions and met 23 regional delegations from Russian oblasts, kraia and republics in Minsk. "Belarus is in fact the western frontier of Russia," Lukashenko added. "The territory from Moscow to Smolensk has no Russian military posts, all that space is in fact guarded by Belarusian army."

At a press-conference on the first day of the visit (May 7), Lukashenko said that "the main road toward unification goes through regions." As part of Volgograd's overall celebration of Belarus, the "Made in Belarus" fair impressed visitors with European-style trolley-buses and small tractors, inexpensive refrigerators and TV sets, as well as high quality clothing and food. Some shuttle-traders even told *Delovye Vesti* that they will stop traveling to Turkey and China (where it is no longer profitable to do business because of the weak ruble) in favor of Belarus. Volgograd Governor Nikolai Maksyuta predicted that the region's trade with Belarus, which totaled \$90 million in 1998, would increase by two-thirds (Radio Mayak, 7 May).

As for democracy in Belarus, all Belarusian and Volgograd politicians claimed that only a "relatively small group of Belarusian nationalists, about 10 percent of the population, opposed Lukashenko while 90 percent supported him." Nobody in Volgograd sought to inquire into the nature of Lukashenko's power and the methods of his rule, about his relations with the mass-media or about his understanding of human rights. In fact, a large portion of the Russian population now thinks of politicians in old patriarchal terms, as "a strong and just" father, and Lukashenko tries to live up to such an image.

Lukashenko suggested that the formation of a Russia-Belarusian Union could take place during "the third quarter of this year if the Russian leadership has the political will to do this." The formation of such a union would make Lukashenko a major player in Russian politics. From that point of view, Lukashenko's visit to Volgograd to mark Victory Day on the site of the Soviet Union's greatest World War II victory is an obviously political step. The former Stalingrad is a popular campaign stop for all Russian politicians. On 9 May 1996, candidates from across the political spectrum, from Gorbachev to Zyuganov and Lebed to Yeltsin, converged on the city. Lukashenka's visit reminds the Russian political elite that he is going to participate actively in Russian political life and may become the "secret weapon" of the left bloc. - Ivan Kurilla in Volgograd

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Russian Cohesion Index: -26 (up 16 this week)

Disintegration.....L....T.....0.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

*****See the RRR website (<http://www.iewe.org/rrrabout.nsf>) for a graphic display of the Russian Cohesion Index since 17 March.*****

+++++ Yeltsin and the State Duma resolved their differences peacefully, avoiding a destabilizing impeachment process and quickly confirming Prime Minister-designate Sergei Stepashin. This temporary peace is the best plausible resolution for the crisis brewing last week and paves the way for calm elections. (+20)

+++++ Stepashin made clear that he would try to work with the legislature, including all members of the Federation Council. It is too early to tell how well they will work together, but it seems like a promising start. (+1)

+++++ Some factories, like the Perm Cellulose and Paper Combine, are benefiting from increased domestic production and the need for more packing materials on the local market. Factory managers are taking advantage of the additional revenue to improve product quality. (+1)

----- Rising gasoline prices in places like Yekaterinburg are leading to stockpiling and fears of higher costs for all products. This could be the beginning of a new trend as oil producers shift more production to export markets to take advantage of higher prices. (-3)

----- Vladivostok failed in its 16th attempt to elect a city council. Once again bad politicians prevent this region from achieving its vast economic potential and hinder democratic development. (-2)

----- Unexplained irregularities may deligitimize the elections in Karachaevo-Cherkesiya, leading to more violence. The situation in the entire North Caucasus region continues to deteriorate. (-1)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Center-Periphery Relations

Federation Council Supports Stepashin

Rostov's Chub Joins Governors' Show of Strength
Novgorod Communists Concerned about Stepashin
Kazan Sorry To See Primakov Go, Backs Stepashin
Patterns of Regional Development
Vladivostok Fails To Elect Duma Again
Security and Society
Regions Discuss Social Challenges of Chemical Weapons Destruction
Special Research Report
Will Unification of Regions Strengthen the Russian Federation?
The Case of St. Petersburg and Leningrad Oblast
Advertisement
EWI Handbook of Russian Regional Executives

BREAKING NEWS

POLITICS

SEMENOV WINS KARACHAEVO-CHERKESIYA ELECTION. Former commander of Russian ground forces Vladimir Semenov became the first popularly elected president of the republic of Karachaevo-Cherkesiya on May 17. Semenov swept the runoff with 75 percent of the vote while Cherkessk Mayor Stanislav Derev scored only 18 percent. Turnout was 63 percent. In the first round on 25 April, Semenov had come in second to Derev by a score of 17.1-40.1 percent.

The mounting tensions that characterized the presidential race over the past several weeks, manifested in violence between the republic's Karachai and Cherkes ethnic communities, culminated in a highly controversial election. Supporters of Derev, an ethnic Cherkes, began gathering in front of the republican government's building in Cherkessk on the afternoon of election demanding that the runoff be declared invalid due to various violations. Several electoral commissions dissolved themselves, closing polling stations to protest that about 20 percent of the electorate had voted ahead of time, *BBC Worldwide Monitoring* reported on 16 May. At 8 am on 16 May when voting was supposed to begin, of the 52 polling stations in the republic's Cherkes territories, only 5 were open. Republican officials managed to open 43 more stations by evening. Nevertheless, in the Adyge-Khabl'sk and Khabez'sk raions, where a large number of Cherkes reside, only one polling station was open. According to *Izvestiya* (18 May, about one third of the republic's residents were unable to cast their votes due to this confusion.

The following day Derev's demonstrators grew to more than 15,000. They demanded that the federal government establish its authority in the republic, claiming that if the election results are not canceled, then the Cherkes and Karachai cannot live in the same republic. Derev himself threatened that the Cherkes territories in the republic would join neighboring Stavropol Krai if the election issue was not decided in ten days, *Nezavisimaya gazeta* reported on 18 May.

On 18 May acting Prime Minister Sergei Stepashin met with Semenov and Derev, warning them of the necessity to maintain order in the republic. They agreed to keep from organizing public demonstrations and calling for the revision of the region's borders. However, this meeting alone will not be sufficient to reestablish order in the

region. On 18 May, Russian President Boris Yeltsin appointed acting Russian Deputy Minister of Internal Affairs Ivan Golubev to act as his representative in the republic on a provisional basis. The Russian Central Electoral Commission is sending a delegation to investigate Derev's allegations of campaign violations on Semenov's part, *RFE/RL Newswire* reported on 19 May.

Regarding the election's results, *Izvestiya* on 19 May pointed out that even if the entire Cherkes and Abazin communities voted for Derev, the numbers would not be large enough to change the ultimate outcome. Yet, according to the republican electoral committee's figures, the number of residents in Karachaevo-Cherkesiya increased considerably during the elections, *Vremya MN* reported on 18 May. Before the first round, there were 289,000 registered voters, however 305,000 ballots were counted in the election results, and 313,000 voters were registered for the second round. Thus, clarification of where the additional 24,000 voters came from seems a justifiable concern.

VIOLENCE INCREASES IN NORTH CAUCASUS. In addition to the violent terrorist acts and turbulent public demonstrations that have surrounded the recent presidential elections in Karachaevo-Cherkesiya, the situation in other North Caucasus regions is also becoming increasingly unstable. Over the past week, incidents in three other North Caucasian regions received national attention. On 17 May bombs exploded in the basements of three residential buildings where military personnel live in the Sputnik district in eastern Vladikavkaz, North Osetiya. The explosions damaged 18 apartments, killing 5 and wounding 15. North Osetian President Aleksandr Dzasokhov believes that the 17 May explosions may be related to the 19 March explosion in a Vladikavkaz market place (see *EWI Russian Regional Report*, 25 March). Between 12 and 14 May Russian Naval Captain Andrei Ostranits was kidnapped in Makhachkala, Dagestan. He is reportedly being held for \$30,000 ransom in Chechnya. On 15 May a representative of the International Red Cross Committee, Ribero Geraldo Cruz from New Zealand, was kidnapped in Nalchik, Kabardino-Balkariya. Following this incident, the Red Cross decided to suspend its expansion work in the North Caucasus. (*Izvestiya*, 18 May and *BBC Worldwide Monitoring*, 16 May)

TULEEV SUPPORTER WINS ELECTION. Valerii Garanin was elected mayor of Prokopevsk, the third largest city in Kemerovo Oblast, on 17 May, winning 86 percent of the vote with 40 percent voter turnout. Kemerovo Governor Aman Tuleev campaigned on Garanin's behalf. Prokopevsk's current Mayor Yevgenii Golybev, who competed against Tuleev for the governor's seat, has been in constant conflict with oblast powers during his two-year mayoral tenure. Golybev boycotted Sunday's election, claiming that it was not legitimate since he was elected for a four-year term and thus was only halfway through his mandate. He is contesting the election in the Russian Supreme Court. Garanin's victory further strengthens Tuleev's power in Kemerovo, where his supporters control the legislature and dominate most mayoral offices. (*Vremya MN*, 18 May and *Radio Rossii*, 17 May)

NORTH OSETIYA REELECTS SPEAKER. On 15 May the North Osetian parliament reelected Vyacheslav Parinov as its speaker. Parinov has held the spot since 1995. North Osetian President Aleksandr Dzasokhov addressed the new parliament,

which was elected on 25 April (see *EWI Russian Regional Report*, 12 May 1999) calling on the deputies to "set a powerful and attractive example" for the "united people of the republic." Dzasokhov also stressed the need to examine the region's socio-economic development. (*BBC Worldwide Monitoring*, 15 May)

GUSTOV RETURNS TO FEDERATION COUNCIL. Former First Deputy Prime Minister Vadim Gustov, who had left his position as governor of Leningrad Oblast to serve in former Prime Minister Yevgenii Primakov's cabinet, is returning to Moscow as the Leningrad Oblast representative in the Federation Council. He will serve in this capacity until September when a new governor is elected in the oblast. Gustov is the prime candidate for election to his former post (see *EWI Russian Regional Report*, 12 May). (*Izvestiya*, 18 May)

ECONOMICS

NEW PIPELINE TRAVERSES NORTH CAUCASUS. A delegation headed by Deputy Prime Minister Vladimir Bulgak and including Minister of Fuel and Energy Sergei Generalov, Minister of Transportation Sergei Frank, Rosneft director Sergei Bogmanchikov, Transneft director Dmitrii Savelev, and others arrived in Stavropol on 11 May to discuss building a new Caspian pipeline for transporting oil to the Black Sea over Russian territory. The proposed pipeline will start in Tengiz, Kazakhstan and go through Astrakhan, Kalmykiya, Stavropol, and Krasnodar, ending in Novorossiisk. Krasnodar Krai Governor Nikolai Kondratenko has agreed to overlook the environmental threat the pipeline imposes for the good of establishing a tax base for the region. Bulgak explained that Russia loses over \$2 billion per year by exporting its oil from ports in Ukraine and Latvia. Chechnya's instability has threatened Russia's economic interests in the Baku-Novorossiisk pipeline, and the opening last month of a new pipeline connecting Azerbaijan to the Black Sea via Georgia furthered challenged Russia's profits from the Baku-Novorossiisk route (see *EWI Russian Regional Report*, 12 May). The construction of a new pipeline will increase the volume of exports sent via Novorossiisk from 32 to 70 million tons annually. In total, last year Russia exported 135 million tons of oil. (*Kommersant Daily*, 14 May)

Another new pipeline aimed at bringing more business to Novorossiisk is also in the works to the north in Rostov Oblast. Rostov Governor Vladimir Chub and Transneft President Dmitrii Savelev recently signed an agreement to construct a new 240 km oil pipeline on the oblast's territory, linking two smaller pipelines, the Ukraine-Samara-Lisichansk and Tikhoretsk-Lisichansk. The new pipeline section will increase the volume and lower the cost of transporting Russian oil products to the Novorossiisk oil terminal since it bypasses a 300 kilometer stretch through Ukraine. The cost of exporting oil from Novorossiisk should be less than half of what it presently costs to ship from Odessa. The cost of the new pipeline is estimated at \$100 million and should be completed in one year. (*Segodnya*, 17 May)

The development of new pipeline projects is particularly timely since Uzbekistan announced its intention to increase the capacity of the Transport Corridor Europe--Caucasus--Asia (TRACECA). TRACECA was initiated in 1994, bringing together rail, automobile, and sea transport arteries into one corridor that passes through the

Transcaucases and Central Asia, but bypassing Russia and providing stiff competition to Russia's Eurasian transportation network. According to Uzbek Deputy Prime Minister Lerik Akhmetov, in 1999 400,000 tons will be shipped along TRACECA, a 30 percent increase over last year. Last year Russia lost \$200 million in transportation revenue to TRACECA, and this year Russia is expecting its losses to shoot up by another \$70 million. If all shipments from Central Asia to Western Europe were to use TRACECA, Russia would lose out on \$1 billion per year, one-third of what it currently receives for transporting freight across its territory. (*Kommersant Daily*, 13 May)

EBRD EXPANDS IN REGIONS. The EBRD is planning to have a more direct involvement in its Russian projects by expanding the work of its subsidiary bank, the Russian Bank of Project Financing (RBPF). The RBPF is planning to open branches in St. Petersburg, Nizhnii Novgorod, Omsk, Yekaterinburg, Samara, and Tolyatti. As part of the RBPF's expansion program, the bank's ownership will become 100 percent foreign. Presently, the EBRD is RBPF's only foreign stockholder, owning 51 percent of the bank. After it is restructured, the EBRD will own 35 percent of RBPF, and the remaining shares may go to Germany's Investment and Development Company, the Soros Foundation, and the German Investment Bank. RBPF will continue to focus on programs supporting small business. (*Vremya MN*, 14 May)

LUKOIL PLANS TO EXPAND. On 17 May LUKoil announced its intention to acquire another Russian oil company. Although LUKoil has not named which company it plans to take over, KomiTEK, which operates primarily in the Timan Pechora basin, is the most probable candidate. In April LUKoil President Vagit Alekperov spoke publicly of his plans to buy KomiTEK. To finance the acquisition, LUKoil will need to issue 11.5 million shares of preferred stock to swap for equity in the company to be acquired. Drezdner Kleinwort Benson and NIKoil will act as financial consultants for the acquisition, which should take place in the first half of June. (*Segodnya* and *Kommersant Daily*, 18 May)

CENTER-PERIPHERY RELATIONS

FEDERATION COUNCIL SUPPORTS STEPASHIN

by Olga Komarova

MOSCOW -- On 17 May the Federation Council met to discuss the sacking of Prime Minister Yevgenii Primakov and the appointment of Sergei Stepashin. The extraordinary session was initiated by a group of senators led by Ryazan Legislative Assembly Chairman Vladimir Fedotkin. They proposed adopting a special decree reflecting their anxiety regarding the country's unstable political situation. In spite of the senators general dissatisfaction with Primakov's dismissal, the discussion was rather calm and the regional leaders decided to support Stepashin's candidacy to the post of prime minister.

Primakov's dismissal was an unpleasant surprise for all of the deputies. The overwhelming majority of regional leaders are certain that political factors were responsible for the president's decision to sack the prime minister and his cabinet since Yeltsin does not like to be surrounded by independent and popular politicians. Yeltsin's

explanation that Primakov's dismissal resulted from his inability to take decisive steps in reforming the economy is simply an excuse.

The senators were disturbed that the president did not consult them before making such an important decision. According to the Constitution, the president is not obliged to get the parliament's approval before making cabinet changes. However, many Federation Council members feel that Yeltsin should have discussed this issue with them from the start. According to Federation Council Speaker Yegor Stroev, dismissing the prime minister is a decision that should not be adopted without the approval of both parliamentary chambers. Stroev also believes that the interests of regional leaders should be taken into consideration when forming the government. Chairman of the Committee on Constitutional Law and Judicial Issues Sergei Sobyenin noted that no such consultation is necessary since the country's leadership does not respond to the petitions of regional leaders. He proposed that the senators submit a legislative initiative to develop a special law on procedures for government dismissals and appointments, which will include a parliamentary role.

Sergei Stepashin has actively tried to win the senators' support. The presidential administration and new premier conducted good preliminary work. Immediately after he was appointed acting prime minister, Stepashin met with members of the State Duma and Federation Council, following Primakov's example of establishing friendly relations with the parliament. Primakov's predecessors did not feel it was necessary to pay attention to deputies' opinions. However, Stepashin went even further than Primakov to meet not only with governors, but with the heads of regional legislatures, who are also members of the upper chamber, yet are rarely acknowledged by the government. Stepashin has actively tried to emphasize that he will continue the course towards stabilization started by Primakov, and will heed the opinion of the regions.

Stepashin appeared at the Federation Council session, stating that his cabinet's work will take the regions' interests into consideration. He explained that the regions have accumulated vast experience in economic reform that may be used on the federal level. Stepashin noted that in his preliminary meetings with senators he received 150 suggestions and promised to instruct his ministers to study these ideas and put them into practice. He stated that the government is planning to implement two strategic proposals. First, it will create a state economic council that will include governors. Second, it will decrease the number of federal officials working in the regions. According to Stepashin, the government will adopt a course aimed at stabilization.

Stepashin's tactic of wooing the governors brought him results. Altai Krai Governor Aleksandr Surikov proposed that the Federation Council appeal to the State Duma, requesting that it confirm Stepashin's candidacy in the first round, as in fact happened on 19 May. Many senators supported this proposal. Even before the Duma had voted, they considered Stepashin's confirmation a done deal and began to address him with their concrete economic questions.

The Federation Council session clearly demonstrates that Russia's executive now believes it necessary to take the legislators' interests into consideration. By all appearances, the new prime minister, like his predecessor, intends to work with the parliamentarians, attesting to the democratization of political life in Russia. We shall see in the near future whether or not Stepashin will fulfill the promises he has made to the senators.

ROSTOV'S CHUB JOINS GOVERNORS' SHOW OF STRENGTH. Rostov Governor Vladimir Chub responded to Yeltsin's 12 May decision to fire Prime Minister Yevgenii Primakov within a few hours after it was announced. Chub, who had participated in the government as the leader of one of Russia's eight interregional associations, praised Primakov but noted that it was the president's right to remove him. Chub stressed that the sacking had taken him by surprise and that his conversations with other governors showed that many viewed the move with regret.

While Chub was participating in the Primakov government, Rostov's budgetary relationship with the federal government began to improve. He said that under Primakov, the federal government provided real support for industry; public sector employees and pensioners received what they were owed; state subsidies arrived on time, and the federal government resolved many local problems.

Nevertheless, Chub pointed out that the Primakov government "did not resolve the issues that arose after 17 August." In particular, the government did not find a way to deal with the drop in the value of the ruble and the worsening material situation that resulted for the population.

Chub's quick response to the events in Moscow is unusual. During the August 1998 crisis, Chub limited his comments to saying that he would work to protect the region from the consequences of the broader crisis. Following the dismissal of Primakov, Chub did not discuss the local situation, instead focusing on national politics. The willingness of a cautious governor like Chub, who has always avoided making personal comments about Moscow politicians, to make bold and timely comments about the government's resignation shows that the influence of the governors has grown since the last crisis and the governors themselves are aware of this increasing power.

It is also clear that Chub's statement had been agreed upon in consultation with many other governors. Evidence for this thesis comes from the fact that many governors made similar comments and Chub's own statement that the governors had talked about their positions by telephone. The governors may have agreed to make unusually bold and timely statements to demonstrate their strength and ability to coordinate their actions to the Kremlin and the next government. - Andrei Miroshnichenko in Rostov

NOVGOROD COMMUNISTS CONCERNED ABOUT STEPASHIN. In order to determine the reaction of local parties to the appointment of Sergei Stepashin as prime minister, the RRR's Novgorod correspondent interviewed Valerii Gaidym, the secretary of the oblast's branch of the Communist Party of the Russian Federation. He said, "The media, and particularly television, is already trying to make Stepashin, on one hand, the rightful heir to Primakov, and on the other hand, the successor of the market reform policies started by Yegor Gaidar, Anatolii Chubais, and Viktor Chernomyrdin. But I don't think that Stepashin is such an experienced economist. Rather, he should be seen as the protege of the security structures which are capable of imposing order through the use of the police in case of mass disobedience. One should not forget that Stepashin has the blood of many young men in Chechnya on his hands. I think that massive protests are entirely possible given the absurd decisions Yeltsin has made and the unpredictable decisions that he is likely to make. Stepashin could use force to deal with them. He would not stop at shedding the blood of his own citizens in order to show his loyalty to Yeltsin

and preserve the regime until there are elections or Yeltsin is no longer alive." - Ivan Novgorodskii in Velikii Novgorod

KAZAN SORRY TO SEE PRIMAKOV GO, BACKS STEPASHIN. Yeltsin's dismissal of Primakov took Tatarstan's leaders by surprise. In two interviews, Tatarstan President Mintimer Shaimiev expressed real regret that Primakov was gone. In the Russian political system informal, personal ties are more important than the relationships between the different authorities defined by the Constitution, legislation, and treaties. Such ties are particularly important between regional leaders and those in charge of the federal government. The constant changes in the federal government is extremely disheartening to the regional elite.

The Tatarstani political elite had become used to working with former Prime Minister Viktor Chernomyrdin and his government according to an agreed-upon set of rules of the game when suddenly Yeltsin replaced Chernomyrdin with Sergei Kirienko. Just as Tatarstan's rulers were setting up ties with Kirienko, who came to Kazan during his short tenure, Yeltsin replaced him with Primakov. Once again it was necessary to find a way to work with the new prime minister. Shaimiev had not yet agreed with Primakov and First Deputy Prime Minister Vadim Gustov about a framework agreement on inter-budgetary relations when first Gustov and then Primakov and his government were sacked.

Shaimiev was one of the first regional leaders whom Yeltsin called after dismissing the government. In his public commentary, Shaimiev did not hesitate to make clear that his opinion on Primakov was different from Yeltsin's. He charged that "Primakov and the members of his cabinet should not have been made victims of the situation and should not have been used to achieve political goals." Shaimiev said that Primakov had followed the only possible path and that no one else could have done more as prime minister.

Shaimiev was very cautious in evaluating Stepashin, simply noting his business-like qualities and his work in the power ministries. Beyond that, he did not say anything. - Midkhat Faroukshine in Kazan

PATTERNS OF REGIONAL DEVELOPMENT

VLADIVOSTOK FAILS TO ELECT DUMA AGAIN. The 16 May city council elections in Vladivostok were declared invalid, leaving Primorskii Krai's capital as the only Russian city without a local legislature. Only slightly more than 7 percent of the city's voters participated in Sunday's poll, Vladivostok's 16th attempt at electing a legislature.

It was not difficult to predict that voter turnout would not reach the necessary 25 percent for the election to be deemed valid. Primorskii Krai Governor Yevgenii Nazdratenko and acting Vladivostok Mayor Yurii Kopylov openly argued that the elections should not take place until December 1999 to coincide with the region's gubernatorial election. The 17 January elections--in which the overwhelming majority of winners backed former Vladivostok Mayor Viktor Cherepkov, although only 6 of the 16 elected were allowed to take office--convinced the city's residents that even when they actively participate in the elections, the results will be annulled if they do not choose the right candidates.

There is no doubt that Kopylov's administration contributed to the election's dismal fate. Kopylov refused to finance preparations for the election, accused City Electoral Commission Chairman Ilya Grinchenko of embezzling municipal funds, established five illegal district committees, and issued his own ballot, which was also declared illegal. The Central Electoral Commission's regional representative, Vyacheslav Uvarov, came to Vladivostok and declared that the actions of both Kopylov and Grinchenko were bordering on the criminal.

The height of the conflict came in an investigation of the sixth district, where a Cherepkov supporter had been elected in January. Two days before the election the krai court declared the election valid. Then the day before the election, the city electoral commission canceled it. However, the same evening the district court declared that the electoral commission's decision to cancel the election was illegal. Unfortunately, this verdict was not widely reported and several members of the electoral commission were not aware that the election had been reinstated.

The city electoral committee announced that new elections will take place in July. Yet, there is no doubt that the elections will not go through if the governor and acting mayor can prevent it. The sooner a city дума is elected, the sooner Kopylov will have to face mayoral elections, threatening Nazdratenko's power over the region. Governor Nazdratenko wants to maintain his man as Vladivostok's leader on the eve of the gubernatorial elections. Nazdratenko still has time before December to form a new city electoral committee without Grinchenko, who has always been in opposition to the executive branch. Moreover, between now and then, it will be possible for Nazdratenko to consolidate his control over the media and use it to his full advantage for campaigning.

- Yevgenii Popravko in Vladivostok

SECURITY AND SOCIETY

REGIONS DISCUSS SOCIAL CHALLENGES OF CHEMICAL WEAPONS DESTRUCTION. On 18 May the EastWest Institute and Green Cross Russia held a conference in Moscow on the topic of "Chemical Weapons Destruction: Opportunities for Regional Development, Civil Society and Business." Representatives of regional governments and non-governmental organizations from the six regions housing arsenals of Russian chemical weapons (Bryansk, Kirov, Kurgan, Penza, Saratov and Udmurtiya) met with representatives of the federal government and international institutions. Participants discussed regional development problems surrounding destruction of Russia's chemical arsenals. Russia ratified the chemical weapons convention in 1997 and the US Congress has appropriated funds to be used exclusively for the destruction of the weapons. However, populations in the Russian regions housing chemical arsenals have demanded assurances of environmental safety during the destruction process. Additionally, they are seeking the provision of "social infrastructure," which includes new housing, child care facilities, water and gas pipelines, sewer systems and the like. They claim that these facilities are necessary to support the construction of the destruction facilities and the personnel working in them.

Bryansk Oblast Governor Yurii Lodkin described in detail the environmental degradation that has dilapidated his region's ecology. Radioactive fallout from Chernobyl has contaminated 11,000 square kilometers of Bryansk Oblast territory and 1,000 of its

towns and villages. Only 50,000 residents have been evacuated from the affected areas, a mere fraction of the number that should have left. As a result, cancer rates in the oblast have skyrocketed. The stored chemical weapons in Bryansk only exacerbates the Chernobyl effects, and the pollution from destroying them could make the situation even worse, Lodkin said. Today Bryansk Oblast stores 19 percent of Russia's entire chemical weapons arsenal.

Lodkin criticized the nearsighted federal policy of treating all six regions in the same way, even though each case is different. Specifically, Bryansk wants the federal government to look into moving the chemical weapons from the storage depots in the oblast to other parts of Russia that are less densely populated. Lodkin promised to lobby for a federal law to this end. Currently, for safety reasons, it is illegal to move the weapons, which therefore will have to be destroyed where they are currently located. Thus it will be necessary to build destruction facilities in each of the areas where the weapons are housed.

In 1995 Bryansk Oblast adopted a regional law that imposed a moratorium on building chemical weapons destruction sites and importing harmful chemical substances into the oblast. General Vitalii Kapashin, who runs the military's chemical weapons destruction directorate and represented the defense ministry at the conference, criticized the Bryansk law as "legal voluntarism," but Lodkin said his administration will stand by this policy. Addressing the issue of funding for social infrastructure to compensate the population for the destruction of the chemical weapons, Lodkin said that the federal government should pick up 90 percent of the tab. In turn, Kapashin retorted that regions should take some responsibility for this problem, instead of dumping it all on the center. Other conference participants agreed that it is more realistic to look for funds abroad or from the private sector, especially since the 1999 federal budget did not provide additional funding for chemical weapons destruction (CWD). It was also pointed out that no other region would be willing to receive chemical weapons for destruction.

Kurgan Oblast Deputy Governor Yurii Mamontov offered a more constructive perspective. One of the villages in the oblast stores over 5,400 tons of chemical weapons. Mamontov explained how the oblast together with Green Cross Russia organized and ran an effective media campaign, educating the public about the benefits of the CWD program. Subsequent public opinion polls showed that the public has now begun to support destruction of chemical weapons as long as environmental safety is assured. Nevertheless, lack of funds has prevented the oblast from moving ahead on social infrastructure projects, a necessary precursor to actual weapons destruction. Mamontov said that the oblast budget simply has no money for such expenses. As it is, Kurgan has to spend its limited budgetary funds on rehabilitation of those who suffered from radioactive pollution. The world's most polluted river runs through the oblast, Mamontov said.

Overall, participants agreed that the conference was the first forum that brought together various groups interested in the social consequences of chemical weapons destruction in Russia. The attendees also succeeded in discussing proposals on how to raise the funds necessary to address the broader infrastructure needs. - Natan Shklyar in Moscow

SPECIAL RESEARCH REPORT

WILL UNIFICATION OF REGIONS STRENGTHEN THE RUSSIAN FEDERATION? The Case of St. Petersburg and Leningrad Oblast

By Jakob Hedenskog, Defence Research Establishment

STOCKHOLM, SWEDEN -- Russian history shows that whenever central power is weakened, the regions try to become more autonomous. These efforts should not always be considered as attempts to gain political independence, but often rather as a coping strategy, a natural reaction to the inattention of the central authorities to problems in the regions. This pattern has been evident in Russia since the fall of the Soviet Union in 1991. Most recently, the political and economic crisis of August 1998 led many regional leaders to introduce numerous measures aimed at increasing their autonomy, including price controls, "import taxes" on Russian goods from other regions, threats to introduce local currencies, and refusals to pay taxes to the federal budget.

Some considered the appointment of Vadim Gustov in September 1998 as first deputy prime minister responsible for regional policy as a sign that the center wanted to strengthen its control over the regions. Gustov had been governor of Leningrad Oblast for two years and, despite his deep roots in the Communist Party apparatus, managed to pursue a business-friendly policy, which enticed American companies like Philip Morris and Caterpillar to invest in the oblast, without alienating the region's conservative electorate. As a new member of the federal cabinet, Gustov said his main goal would be to create stronger regions through increased fiscal federalism. One way to achieve that goal, he said, could be to unite smaller regions into bigger administrative units. Even before Gustov's appointment, many of Russia's top politicians, like Moscow Mayor Yurii Luzhkov and Duma Speaker Gennadii Seleznev, had openly supported this idea. Former Prime Minister Yevgenii Primakov later announced his own backing.

Gustov re-introduced the idea of uniting St. Petersburg with Leningrad Oblast and gained President Yeltsin's blessing for the proposal. Leningrad oblast was created in 1927, but in 1931 the city of Leningrad was separated from the oblast and made an independent region due to its size and huge military-industrial complex. Like Moscow, Leningrad became directly subordinate to the government of the Russian Socialist Federative Soviet Republic. The idea of reunifying St. Petersburg and Leningrad oblast was first raised in 1991, but no concrete measures followed. At that time, the obstacles for unification probably were fewer than now, since great differences in city and oblast legislation did not exist then.

St. Petersburg Governor Vladimir Yakovlev, acting Leningrad Oblast Governor Valerii Serdyukov, former acting Speaker of the city's Legislative Assembly Sergei Mironov and Speaker of the Oblast legislature Vitalii Klimov have all endorsed the idea of unification. The question of merging will certainly be an important topic of discussion before the two regions' gubernatorial elections, set for 19 September in Leningrad Oblast and June 2000 in St. Petersburg. As much as 60 percent of the electorate in both regions supports the unification, according to recent opinion polls.

Merging the city and oblast has several potential benefits. A larger territory would provide local industry more room for expansion. The present competition between St.

Petersburg's port and three ports under construction in Leningrad Oblast would be resolved, as all ports from the Finnish to the Estonian border would be included in the same infrastructure complex. Politically, a united region with almost 7 million inhabitants could more successfully secure its interests from the federal government and better assert itself as a Baltic Sea metropolis. Such strength could attract foreign investors on a larger scale than possible under current conditions. In daily life, the current division between the city and oblast probably seems a little strange to all the St. Petersburg citizens going to their dachas in the oblast, as well as to the oblast citizens permanently working in the city.

Despite these advantages, there is considerable skepticism among St. Petersburg politicians about the project. First, there is a widespread anxiety among the city's democrats that unification would radically change the shape of the electorate. While the often highly educated voters of the city are considered among the most liberal and reform-oriented in the country, the electorate in the oblast is more conservative and closer to the Russian average. Second, today's St. Petersburg has a federal status comparable only to the city of Moscow. A merger with Leningrad oblast, or at worst an *incorporation* into it, could possibly make the resulting region like all the other 49 oblasts of the Russian Federation. Indeed, the merger would reduce the area's representation in the Federal Council from today's four members (two for each the city and the oblast) to two. Third, over the past two years, St. Petersburg has achieved something which the rest of Russia could only dream of: a realistic deficit-free budget and a modicum of fiscal accountability. With unification, the city would have to take on the oblast's huge economic, industrial and infrastructure problems. Fifth, the governors and regional legislators in the city and oblast have to decide whether they are ready to give up their present seats in the case of a merger into one federal subject.

There are also high legal obstacles to a merger of St. Petersburg and Leningrad Oblast. Such a move would require legislation to be passed by both legislatures and accepted by referendums in both the city and oblast, as well as appropriate changes to be made in the Russian Constitution. Then, elections for a common governor and legislature would have to be held and the legal systems of the two current regions synchronized. Gustov's recent dismissal from the government after just seven months in office means that the project probably has lost some support at the federal level.

In fact, federal politicians may prove to be a greater obstacle to merger than local objections. The possibility of different regions uniting with each other might endanger the future of the Russian Federation. If St. Petersburg and Leningrad oblast were to unite, it might open the door for ambitious leaders of other regions to satisfy their own power ambitions at the expense of the center. "If they can, why can't we?" might be the logic for such thinking. The question of unification is not unique to St. Petersburg and Leningrad oblast. There are some groups that favor such a step for the two neighboring Muslim-dominated republics of Tatarstan and Bashkortostan. The Lebed brothers may seek to unify the huge Krasnoyarsk kray, of which Aleksandr is the governor, with the tiny Khakassia republic, ruled by younger brother Aleksei, at its western border. A unification of the city of Moscow and Moscow Oblast would appear not only natural, but inevitable. The center must be aware that every move to reduce the number of regions could spur separatism among the regions and especially in the ethnic republics. It is not difficult to imagine a constant stream of demands for unification and, in the long run, demands for

total independence. Moreover, a possible revision of the Constitution could make it easier for Chechnya to gain total independence.

Advocates of regional unification seek to create stronger and economically-sound regions, which would make the whole federation more stable. However, there is a risk that, instead, the creation of larger regions will increase separatist tendencies among the federal subjects and ultimately undermine the existence of the Russian Federation. Furthermore, one can not exclude a scenario, in which local leaders concentrate on mergers while neglecting their regions' acute economic, ecological and social problems. One must ask whether the Russian Federation would survive such a development.

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EastWest Institute
Russian Regional Report
Vol. 4, No. 20, 27 May 1999

Russian Cohesion Index: -22 (up 4 this week)

Disintegration.....L..T.....0.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

*****See the RRR website (<http://www.iew.org/rrrabout.nsf>) for a graphic display of the Russian Cohesion Index since 17 March.*****

+++++ Although the situation in Karachaevo-Cherkesiya remains unstable, the federal government is taking sensible actions to prevent the situation from deteriorating. Perhaps Prime Minister Sergei Stupashin learned a better way to conduct Moscow's Caucasus policy following the disastrous war in Chechnya. This could be the beginning of a positive new trend. (+5)

+++++ In a recent interview, Chuvashiya President Nikolai Fedorov discussed the negative consequences of signing secret treaties between the federal government and the regions. This is just one step in making center-periphery relations more transparent. It could be the start of more concerted attempts to put Russian federalism on a sounder footing. (+3)

+++++ Russian regional leaders are organizing themselves to make the State Duma a more productive source of legislation to bring the country out of its economic crisis. The current Duma incumbents clearly think that the regional leaders might succeed as they have launched an investigation of the governors' political activities. A better Duma would definitely improve the situation, but it is not clear if the governors could deliver even if they gain a majority, especially since they seem bent on protectionism. (+1)

----- Kaliningrad's political leadership continues to block business development in the region. Now at least local businessmen are loudly complaining about the situation. Hopefully, they will organize politically to protect their own interests. In the past, the young, pro-business electorate has been apathetic. Maybe the poor leadership of many regional leaders will energize them. (-2)

----- The national election season is just beginning and there are already scandals surrounding the electoral commission in regions such as Saratov. Such problems call into question the sanctity of the elections. The only bright spot is that watchdog groups such as For Fair Elections are bringing some of the most egregious violations to light. (-2)

----- Governors from Belgorod to Primorskii Krai like to maintain a strong grip on the regional media. The 30 May elections in Belgorod will show just how well controlling the media translates into electoral support. (-1)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Patterns of Regional Development

Belgorod Elections Heat Up During Last Weeks

Lebed Main Beneficiary of Kolesnikov Investigations

Vladivostok City Electoral Commission Disbanded

Elections 1999/2000

Vsya Rossiya Holds Founding Congress in St. Petersburg

Scandal Surrounds Saratov Electoral Commission

Now You Know!

Who Are the Donor Regions?

Interview with Chuvashiya President Nikolai Fedorov

Secret Agreements Create Bad Precedents

Ethnicity Issues

Stavropol's Anti-Chechnya Restrictions Hurt Many Others as Well

Media Issues

Primorskii Krai Governor Strengthens Grip on Media

Advertisements

EWI Handbook of Russian Regional Executives

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

YELTSIN APPOINTS PROVISIONAL GOVERNMENT IN KARACHAEVO-CHERKESIIYA. In an attempt to bring the situation in Karachaevo-Cherkesiya under control, on 25 May Russian President Boris Yeltsin dismissed republican President Vladimir Khubiev and Prime Minister Anatolii Ozov and appointed Chairman of the republican assembly, Igor Ivanov, to serve as acting president. This action was taken following the recommendation of Prime Minister Sergei Stepashin and Presidential Chief of Staff Aleksandr Voloshin, who visited the region on 24 May. After visiting the region, Stepashin and Voloshin decided that neither of the republican presidential candidates, Vladimir Semenov or Stanislav Derev, could calm the region, which has experienced heightened tension between the Karachai and Cherkes ethnic groups. The groups have been on the verge of armed conflict since the presidential election runoffs were held on 17 May. Tensions between the groups turned violent on 22 May when the region's presidential representative Magomed Kaitov, an ethnic Karachai who participated in the first electoral round, was allegedly shot by Derev supporters who were angry that Kaitov backed Semenov in the second round.

The official results of the election still have not been confirmed. Preliminary results pronounced Semenov the victor, earning 75 percent of the vote to Derev's 18 percent (see *EWI Russian Regional Report*, 20 May), yet more than 1,500 electoral

violations have been reported. Supporters of Derev have been demonstrating in the republican capital Cherkessk since election day, demanding that the results be overturned. On 21 May, the day the republican electoral commission was supposed to finally announce the official results, the protesters numbered several thousand. After more than 7 hours of deliberation, the republican electoral commission was deadlocked. Half of the commission left the hall refusing to work, citing "moral and psychological pressure" on the part of commission chair Musa Psikhomakhov, *Kommersant Daily* reported on 25 May. The new provisional government will rule the republic until the Supreme Court and Central Electoral Commission make a final decision about the election.

According to Stepashin, Khubiev and Ozov deferred to his proposal and voluntarily offered their resignations. Moscow felt that appointing an ethnic Russian as acting president would help calm the tensions between the Karachai and Cherkes. "In a situation when the election results were purposely not approved and tension was artificially created, the prime minister took the most relevant decision," Semenov told *The Moscow Times*. Stepashin commented "I am glad that during Monday's meeting both conflicting parties agreed that it is impermissible to use a political struggle to incite ethnic hatred and lead thousands of people out on the streets in the future." (*The Moscow Times*, 26 May)

The federal government's actions suggest a change in the Kremlin's approach to handling conflict in the North Caucasus and a new development in its ethnic policies. By establishing a provisional government, Moscow is shifting its emphasis from conflict resolution to conflict prevention. As *Nezavisimaya Gazeta* pointed out on 25 May, Moscow has only intervened in conflicts in the North Caucasus (most notably in Chechnya and between Ingushetiya and North Osetiya) after they had escalated to large-scale violence. By replacing the ineffective regional government (which was led by a presidential appointee rather than a popularly-elected executive) with an ethnic Russian local to the region, Moscow is trying to bring the situation under control before it becomes even more unmanageable.

MOSCOW SEEKS TO MOVE UP MAYORAL ELECTIONS. On 19 May the Moscow City Duma introduced a proposal to move up the city's mayoral elections, which are supposed to occur in June 2000 in conjunction with the Russian presidential elections, to December of this year to coincide with the State Duma elections, effectively shortening Moscow Mayor Yurii Luzhkov's term by 6 months. Luzhkov voluntarily agreed to shorten his tenure and run for reelection later this year.

Although Moscow City Duma Chairman Vladimir Platonov and Luzhkov both cite cost efficiency and ensuring stable elections as the primary reasons for holding early elections, Moscow's proposal is clearly an attempt to secure the mayor's political position. If mayoral elections are held in December, Luzhkov will most certainly be reelected. He can then compete in the Russian presidential elections in June with the security of returning to his position as the capital city's mayor if his presidential bid fails. Luzhkov stands a much better chance of winning both elections if he is not running simultaneous campaigns that would drain his resources and weaken his candidacy in both races. Additionally, by running for office in December, Luzhkov can also use his

resources to better campaign on behalf of candidates from his Otechestvo movement who are running for the State Duma.

On 20 May Platonov said that it was not possible for a candidate to run simultaneously in two different elections, forcing Luzhkov to choose between seeking another term as mayor or president if the mayoral elections were left in June 2000. Moscow City Duma Deputy Chairman Aleksandr Krutov, who introduced the election bill, stated that legally no other elections could be held on the same day as the presidential elections, and it was better for the city duma to move the elections to December than to wait for a presidential decree allowing for simultaneous elections, which happened in 1996, *The Moscow Times* reported. However, Central Electoral Commission Chairman Aleksandr Veshnyakov subsequently announced that there is nothing legally to prevent Luzhkov from simultaneously running for mayor and president if both elections are held at the same time, *Vremya MN* reported on 26 May.

Thus, the Central Electoral Commission has given Luzhkov the choice whether to hold the city's mayoral elections in December 1999 along with the State Duma elections, or in 2000 to coincide with the Russian presidential elections. According to Veshnyakov, both are legally viable options since the Moscow legislation calling for early mayoral elections does not contradict federal law. Since the city election would simply be moved to coincide with a different federal election, no additional expense would be required. This differs from the Belgorod case (see article in this issue), in which gubernatorial elections that were supposed to coincide with the State Duma elections are being moved to a day when no other elections are taking place.

Assuming that Moscow's proposal is upheld in court, Luzhkov will improve his positioning for the presidential elections. However, December mayoral elections could prove rather interesting, as there is strong speculation that former Prime Minister Sergei Kirienko will be Luzhkov's main opponent. Additionally, on 18 May Liberal Democratic Party of Russia leader Vladimir Zhirinovskiy sent a letter to Yeltsin proposing that the post of Moscow mayor be eliminated and replaced by a ministerial position in the federal cabinet. (*Nezavisimaya gazeta*, 21 May)

DUMA TO INVESTIGATE GOVERNORS. The State Duma has decided to investigate the activities of several regional executives. Communist Vera Savchuk, who initiated the proposal, decided that the Committee for Social Associations should verify that regional executives do not violate federal laws by leading political parties as well. The committee plans to focus primarily on Tatarstan President Mintimer Shaimiev (*Vsya Rossiya*), Saratov Governor Dmitrii Ayatskov (*Our Home is Russia*), Samara Governor Konstantin Titov (*Golos Rossii*), and Moscow Mayor Yurii Luzhkov (*Otechestvo*). *Kommersant Daily* noted on 22 May that the committee is unlikely to find fault with these leaders. Titov's bloc will not be official until a signed appeal is made to the Russian people, and the regional executives who formed *Vsya Rossiya* signed only an agreement on their intention to form a group. Likewise, Luzhkov is only considered *Otechestvo*'s leader, but is not officially the movement's chairman. The initiative is simply just another attempt by the Communists to thwart their opposition before the Duma elections in December. This is evidenced by the fact that regional executives friendly with the left, such as Kemerovo Governor Aman Tuleev who is the co-chair of

the People's Patriotic Union, are not among those to be investigated. (*Kommersant Daily*, 22 May)

ECONOMICS

MOSCOW CITY DUMA GAINS UPPER HAND ON SALES TAX. On 1 July a new sales tax will finally go into effect in Moscow City, however it will be set at only 2 percent rather than the 4 percent tax the Moscow City Duma and Mayor Yurii Luzhkov had agreed on earlier this month (see *EWI Russian Regional Report*, 12 May). On 19 May the city duma decided to grant merchants a 50 percent waiver on the tax until 1 January. The duma decided to implement the new tax gradually to lessen the blow to consumers and allow city tax collectors to become acquainted with the new system.

Establishing a sales tax in Moscow has been a strong point of contention between Luzhkov and the city duma. Although both sides agree that a sales tax is necessary, they have been arguing over the size of the tax. The city duma wanted a 2 percent tax, but Luzhkov refused to accept this, demanding a 5 percent rate. Ultimately the two sides agreed on a 4 percent tax. However, it seems that the duma has managed to have its way after all, though temporarily. According to Valerii Zharov, deputy director of the city's department for economic policy and development, the gradual introduction will cost the city 1.5 to 2 billion rubles of revenue that was meant to compensate budgetary losses resulting from changes in federal tax legislation. (*Segodnya*, 20 May)

MOSCOW OBLAST ADOPTS DEFICIT BUDGET. The Moscow Oblast Duma finally adopted its 1999 budget on 20 May. The budget provides for 4.5 billion rubles in revenue and 10 billion rubles in expenses. Taking into account extra-budgetary funds, revenue is slightly less than 7 billion rubles and expenses are nearly 12.5 billion, creating a 5.5 billion ruble deficit. According to the oblast committee for economic policy, the budget contradicts local and federal law on twelve separate points. For example, the budget deficit greatly exceeds the 5 percent limit provided for by regional law. Additionally, the budget is designed with the expectation that regional debt should not exceed 30 percent of the budget's revenue. Yet, as of 1 January the region's debt was nearly 3 billion rubles, or more than 60 percent of the oblast's annual income. (TV-Tsentr, *Delovaya Moskoviya*, 20 May)

NOVOSIBIRSK INTRODUCES SALES TAX. Novosibirsk Oblast has decided to introduce its own sales tax, *Nezavisimaya Gazeta* reported on 20 May. The 5 percent tax could go into effect as early as 1 June. Sixty percent of the revenue generated from the new tax will stay in local budgets, bringing in an estimated 119 million rubles. The remaining 40 percent (63.5 million rubles) will go to the oblast budget. As in other regions that have introduced sales tax, Novosibirsk anticipates considerable price increases. Prices for some items are expected to go up to at least 10 percent. Novosibirsk Governor Vitalii Mukha announced that the new tax will help stimulate cost efficiency in production. However, producers have a different opinion. They feel that the tax's greatest effect will be to lower consumers' buying power, precipitating a drop in demand.

SIDANKO DECLARED BANKRUPT. On 18 May the Moscow Oblast Arbitration Court declared the Sidanko oil company bankrupt and placed it under external management. The external manager will serve for at least a year before any assets are sold off so that creditors can agree on a settlement, Sidanko spokesman Denis Davydov said. BP Amoco, which owns 20 percent of Sidanko, was surprised by the decision. At the end of April the majority of Sidanko's creditors had agreed to request a postponement of the bankruptcy hearing until 25 June to allow them to come to an amicable agreement and avoid a bankruptcy ruling. Thus, they were shocked when the court declined the postponement.

Chernogorneft, a production unit which was part of Sidanko's holding group, is pleased with the court's ruling because it has been actively lobbying against the creditors. Chernogorneft executives say that an agreement between Sidanko and its western creditors would mean that BP Amoco would gain total control of Sidanko's best production units. Chernogorneft, located in the Khanty-Mansi Autonomous Okrug, was declared bankrupt last year and has been under the supervision of an external manager itself. Chernogorneft owes 2.4 billion rubles in outstanding debt, and Sidanko owes Chernogorneft 1.1 billion rubles. Chernogorneft officials fear that an amicable settlement would result in BP Amoco paying off Sidanko's debts to Chernogorneft with Chernogorneft ultimately falling under BP Amoco's control. However, some fear that BP Amoco will try to use Chernogorneft's export revenues to pay off other Sidanko debts and begin to realize some returns on its investment. (*The Moscow Times*, 19 May)

TYUMEN OIL COMPANY WINS US LOAN. The Tyumen Oil Company (TNK) has secured a 10-year loan of \$197.6 million from the US Export-Import Bank to modernize the Ryazan Oil Processing Plant (RNPZ), allowing TNK to raise its gasoline output and increase its presence in Russia's gasoline market. RNPZ will undergo a three-year modernization program that will triple the plant's output of high-octane gasoline (for more background information on the Ryazan plant, see *EWI Russian Regional Report*, 3 December 1998). The loans will provide \$159.4 million for purchasing US-made equipment and \$23 million for buying machinery from Russian producers for the modernization. TNK has reached a preliminary agreement with ABB Structured Finance Bank, a subsidiary of ABB Bank to finance an additional \$71 million to complete the full modernization process. Over the course of the 10-year loan period, TNK will offer about 15 percent of its export revenue as collateral.

As part of its expansion plans, TNK intends to increase its total number of filling stations from 540 to 1,000 over the next two years, with the goal of gaining a 20 percent share of Moscow's gasoline market. This is good news for Coca-Cola, which recently signed an agreement with TNK to be the sole distributor of soft drinks at the company's filling stations. Initially, TNK plans to open 28 cafes with Coca-Cola products at gas stations throughout European Russia, and Coca-Cola refrigerators will be placed in 70 TNK retail outlets. Pepsi products will not be carried at the gas stations. (*The Moscow Times*, 20 and 25 May)

PATTERNS OF REGIONAL DEVELOPMENT

BELGOROD ELECTIONS HEAT UP DURING LAST WEEKS. Russia will elect 14 governors by the end of the year and the elections to be held in Belgorod may set the tone for the subsequent elections. The major candidates in this race are incumbent Governor Yevgenii Savchenko, Liberal Democratic Party leader Vladimir Zhirinovskiy, and Communist Accounting Chamber Auditor Mikhail Beskhmel'nitsyn.

The elections should have taken place in December 1999, but Savchenko moved them up, hoping that he would do better in the spring (see *EWI Russian Regional Report*, 6 May). This ploy almost failed when on 13 May the Supreme Court's Collegium on Civil Affairs declared that moving the elections forward was illegal, acting on a suit brought by the Communist Party (*Novyi Izvestiya*, 15 May). Despite the ruling, preparations for the elections continued without pause and on 26 May the Supreme Court's Presidium overturned the Collegium's ruling and declared that the elections could take place 30 May.

Several local experts think that Beskhmel'nitsyn has a good chance of winning. He is famous for launching noisy anti-corruption investigations against such targets as the Railroads Ministry, Unified Energy System, and Gazprom. During the last two years he has given the procurator general evidence in more than 30 cases based on his raids. Beskhmel'nitsyn has the support of the Communist Party, the Popular Patriotic Union, and other left-wing groups, while Savchenko is backed by the Agrarian Party. Beskhmel'nitsyn was the first candidate to collect the required number of signatures to register, doing so without the strong financial backing Zhirinovskiy wields or the apparatus support of Savchenko.

He made a big splash at the beginning of the campaign by stressing the theme that "By voting for Savchenko, you are voting for Yeltsin." He published a well-received flyer that reproduced a quote from Savchenko supporting Yeltsin in 1996. Next to it, was a 1993 quote from Beskhmel'nitsyn noting the fruitlessness of Yeltsin's policies. Linking Savchenko to Yeltsin is a good campaign tactic since Belgorod is firmly within the so-called "red belt." In contrast Beskhmel'nitsyn is well known for his crusades against corruption. A former chairman of the Oblast Council of People's Deputies, Beskhmel'nitsyn battled Savchenko in the 1995 gubernatorial election and presumably learned from his failure then. In that race, Savchenko won 55.54-32.19 percent.

One of Beskhmel'nitsyn's main minuses is that he has not worked in Belgorod for the last three years. The local press has made a big deal of this issue, labeling him as someone just passing through or a person cut off from the rest of the community. He also made a tactical mistake, announcing that if he were elected, he would immediately replace all the staff members in the administration. This statement may cost him dearly when the votes are being counted.

Zhirinovskiy's participation in the campaign has made it more interesting and many local people are flattered to have the attention of a national politician. Zhirinovskiy is likely inspired by the success attained by such well-known leaders as Aleksandr Lebed, Aleksandr Rutskoi, and Aman Tuleev in gubernatorial elections. Although this is Zhirinovskiy's first gubernatorial campaign, his staff is working very well. His local staff combined with supporters from Kursk, Voronezh, and Bryansk oblasts numbers 2,000. According to his headquarters, Zhirinovskiy plans to spend \$2 million on the campaign, an enormous sum for Belgorod. When he is in town, Zhirinovskiy campaigns hard, having met with seven different groups of voters in one day. However, according to Polit.ru

(www.polit.ru, 26 May), he has only been in the region for three short visits. Local observers think that his chances for success are not great, although he may benefit from the division of the oblast's left-wing parties between Beskhmel'nitsyn and Savchenko.

Nevertheless, Savchenko is clearly concerned about the possibility of a Zhirinovskiy victory. The regional authorities have unleashed an anti-Zhirinovskiy campaign under the slogan "Belgorod is in danger!" Local and regional legislators were shown a film called "Werewolf," a play on Zhirinovskiy's patronymic Volfovich, which shows Zhirinovskiy vacationing in Malaysia, swimming in the ocean, eating bananas, and racing monkeys. These scenes are contrasted with clips of ominously marching members of Zhirinovskiy's Hawks.

Savchenko occupies the center of the political spectrum. He has the backing of the local nomenklatura and the advantages of incumbency. He has effectively privatized the local press, radio, and television, which live off of subsidies from the oblast budget. Every day, the local press publishes panegyrics to Savchenko that would make Stalin jealous (for an interview in this genre, see *Rossiiskaya Federatsiya segodnya*, no. 9, 1999). Nevertheless, there are rumors circulating in the region that Savchenko himself and his closest associates are corrupt. Such local magnates as the former director of the Lebedinskii Iron Ore Works Anatolii Kalashnikov are opposing him (on the relationship between Savchenko and Kalashnikov, see *EWI Russian Regional Report*, 6 November 1997).

The tense situation in the oblast between the two Supreme Court rulings on 13 May and 26 May certainly increased the level of rhetoric surrounding the election. The disinformation circulated by Savchenko's team played a particularly strong role. Savchenko's Press Officer Oleg Polukhin suggested that President Yeltsin was going to give the region to Zhirinovskiy because Zhirinovskiy had delivered enough votes in the State Duma to prevent Yeltsin's impeachment. Rumors that the president had personally called Belgorod Chairman of the Electoral Commission Nikolai Pletnev also turned out to be unfounded. Polukhin also claimed that Communist Party leader Gennadii Zyuganov supported Savchenko, but State Duma Deputy Sergei Sukharev held a special press conference to rebut this assertion, stressing that Zyuganov backed Beskhmel'nitsyn.

Several politicians from outside the region have come to support Savchenko. Saratov Governor Dmitrii Ayatskov visited, bringing along journalists, directors of large enterprises, ministers, and choirs. During their meetings, Ayatskov and Savchenko signed an inter-oblast cooperation agreement. At the subsequent press conference, Ayatskov did not hide his support for Savchenko. People's Power State Duma faction leader Nikolai Ryzhkov also showed up during the May holidays to praise Savchenko.

What will determine the final results? Much will depend on skillfulness with which Beskhmel'nitsyn attacks the corruption of the governors' associates and attracts the support of the important businessmen who are sick of Savchenko's populist appeals. - Sergei Sarychev in Kursk

LEBED MAIN BENEFICIARY OF KOLESNIKOV INVESTIGATIONS. The investigations led by Deputy Interior Minister Vladimir Kolesnikov in Krasnoyarsk Krai are beginning to bear unexpected fruit (see *EWI Russian Regional Report*, 11 March). In the wake of the charges filed against Krasnoyarsk Alu minum Factory Board of Directors Chairman Anatolii Bykov, krai residents have begun to actively discuss the possibility of

a major redistribution of property at the giant aluminum plant and within the krai's energy sector.

The owners of the aluminum plant are planning to hold a shareholders' meeting on 7 June in which they will vote on increasing the capitalization of the plant to 15 million shares with a nominal value of 12.5 kopecks each. The shareholders plan to sell the new shares only to those shareholders who own more than 4.45 percent of the current stocks. In effect, these shares will be divided among three groups of owners, Sibbiznes (which represents Bykov's interests), Trans World Group, and Vasilii Anisimov's Transkonsalt.

The board of directors has already determined that the market value of the shares will be 118.5 rubles a share, 948 times their nominal price. The board did this because the members want to avoid a large increase in property taxes and have the ability to use the money they receive from the sale for other purposes. A similar release of shares is planned at the 16 June meeting of the shareholders of the Krasnoyarsk Hydro Electric Station.

The decision to issue the additional shares followed immediately after criminal charges were filed against Bykov for money laundering and his quick departure for medical treatment abroad. Bykov is being threatened with the confiscation of his property, including his stock in the factory. Clearly his partners in the board of directors wanted extra insurance in case this happens and divided up a big share of stocks. Several sources have suggested that Bykov does not own as many shares now as he did a year ago.

Thus Kolesnikov's investigative activities could put the "regional oligarch" Bykov out of business, considerably reducing his influence in the region. As a result it is becoming more and more apparent that the only real player left is Governor Aleksandr Lebed. - Pavel Avramov in Krasnoyarsk

VLADIVOSTOK CITY ELECTORAL COMMISSION DISBANDED. On 24 May the Lenin district court disbanded the Vladivostok Electoral Commission following appeals from 13 deputies in the Primorskii Krai Duma and the krai Electoral Commission's careful examination of a complaint filed by Tatyana Popova. The court agreed with the plaintiffs' arguments that the city duma elections held on 17 May were ruined due to the lack of professionalism exhibited by the city Electoral Commission. The Vladivostok city administration announced that the doors of the city Electoral Commission had been sealed and were being guarded by the police to prevent any documents that could be used for investigating the commission's activities from being removed.

Primorskii Krai Governor Yevgenii Nazdratenko and acting Vladivostok Mayor Yurii Kopylov insist that city duma elections will most likely not take place before December when the krai will hold gubernatorial elections. - Yevgenii Popravko in Vladivostok

ELECTIONS 1999/2000

VSYA ROSSIYA HOLDS FOUNDING CONGRESS IN ST. PETERSBURG. The new social political movement Vsyia Rossiya (All Russia) held its founding congress in St. Petersburg on 22 May. This movement brings together regional leaders, regionally-oriented members of the State Duma, and also directors of large enterprises. Among the

key regional leaders are Tatarstan President Minitimer Shaimiev, St. Petersburg Governor Vladimir Yakovlev, Ingushetiya President Ruslan Aushev, Bashkortostan President Murtaza Rakhimov, and Irkutsk Governor Boris Govorin (for a full list, see <http://www.iew.org/rrrabout.nsf>). The movement seeks to unify regional groups so that they will win a maximum number of seats in the lower house of the parliament.

The regional leaders believe that the participation of their representatives in the elections offers a real chance to exert influence on the life of the country by the adoption of new federal laws. The leaders of Vsya Rossiya have not yet decided on how they will participate in the 2000 presidential elections.

According to the key members of the movement, it has no leader. They claim that they have set aside personal ambitions to carry out joint tasks.

The merger with Moscow Mayor Yurii Luzhkov's Otechestvo and Samara Governor Konstantin Titov's Golos Rossii (Russia's Voice), which was announced a month ago, did not take place mainly because it was unclear who would lead the joint organization. The governors particularly do not like Luzhkov's ambitions to be Russia's next president. They viewed the possibility of uniting under the strict guidance of the Moscow leader as the usual subordination of the regions to central, Moscow authority.

At the same time, the leaders of Vsya Rossiya noted that they might unite with other regional groups just before the elections take place. Most likely, their action will be determined by the balance of forces during the campaign period in the fall of 1999. In particular, it will depend on the relationship between the Moscow mayor and the people surrounding President Boris Yeltsin, who have supported the initiative of the regional leaders. Since Vsya Rossiya did not register one year before the December 1999 elections, it cannot participate in the party list portion of the ballot. To do this it will need to ally with a party that was registered by 17 December 1998.

However, those decisions are for the future, and for now the founding congress was held in St. Petersburg rather than Moscow. Luzhkov did not attend the conference using a specious excuse, sending instead his Otechestvo colleague State Duma member Artur Chilingarov. In his speech Chilingarov stressed that the two blocs should put forward a united electoral list. For his part, Titov noted that while there were "some differences" between Vsya Rossiya and Golos Rossii, they agreed on the vast majority of issues. He stressed that "we should start the process of unification today" but noted that "unfortunately the working group for this is not currently functioning."

Nevertheless, the congress seemed highly representative, bringing together 568 participants from 82 regions and more than 500 guests from across the country. St. Petersburg Governor Yakovlev defined the programmatic tasks of the party in an hour-long presentation. He said that Vsya Rossiya intends to offer the country a new strategy of strategic development which would allow Russia to quickly exit its economic and financial crisis. The party's goal is to give the Russian people a respectable life, with material sufficiency and confidence in their own future and that of their children.

One of the movement's main goals is the creation, or recreation, of a strong, effective state. Rather than a police-state or an overseer-state, the movement has in mind a state that can adopt rational laws and create conditions in which they can be implemented. Today's situation was described as a game without rules.

Yakovlev also demanded the return to more rational principles for developing the economy, by which he meant state regulation of the economy. The main condition of this

new departure will be reliance on domestic production. The movement argues that only through developing domestic production can the country solve its current problems.

Another task is to establish the inviolability of property, regardless of whether it is state or private property. In particular the leaders want to stop the process of illegal and immoral redistribution of property.

The movement also wants to reorganize the relationship between the center and the regions. Yakovlev said that "No other democratic state in the world has such a disbalance of influence, such a concentration of power in the hands of a narrow group of people representing the federal center, and such a scorning of the interests of the regions and the people who live in them." The movement supports the indivisibility of the socio-economic and legal space of Russia, increasing the legal capacity and autonomy of all regions, and the extension of the regions' ability to conduct foreign policy, among other rights.

In his speech, Yakovlev defined the relations of Vsyia Rossiya to other centrist parties, particularly Luzhkov's Otechestvo. He said that any attempts to strengthen the executive power structure in a way that ignored reason and the interests of the majority were doomed to failure. However, he made clear that this position does not mean that the movement denies its ideological closeness to other centrists.

Bashkortostan President Rakhimov said that the current Duma is involved in empty arguments and political posturing, while rejecting constructive proposals from the regions. Therefore it is up to the regions to preserve Russia as a unified state. Tatarstan's Shaimiev concurred, noting that the regions have much in common and now their duty is to work together so that they can win a majority in the State Duma. Ingushetiya's Aushev also backed increased decentralization. He rejected any assertions that such claims were tantamount to separatism.

Some analysts have compared the program of Vsyia Rossiya, which focuses on a strong state and nationally-oriented state capitalism, to the models of socio-economic modernization pursued by South Korea, Singapore, Malaysia and China. But in those cases, the central authorities, not the regional leader, played the decisive role. As a result, it is extremely important that the regional leaders gain control of the State Duma. Shaimiev suggested that if centrists controlled the Duma, the president would be more interested in appointing a centrist government.

The congress elected a political council of 53 people and an 18-member presidium that includes the main leaders of the movement. The delegates elected Russian Regions State Duma faction member Oleg Morozov as the chairman of the movement's Executive Committee and he will be responsible for day-to-day operations. The next congress, at which the movement's program will be adopted, will likely take place in a month. - Olga Komarova in St. Petersburg, with contributions from Marina Makova

SCANDAL SURROUNDS SARATOV ELECTORAL COMMISSION. It seems that the founders of the regional branch of the "For Fair Elections" movement, who suspected the Saratov authorities of planning to falsify the elections, have turned out to be correct, (see EWI's *Rossiiskii regionalnyi byulletin*, no. 7, <http://www.iewws.org/rrrabout.nsf>). On the eve of the elections, behind-the-scenes attempts to manipulate the membership of the Oblast Electoral Commission are clearly under way. One of the main culprits is

apparently Saratov Oblast Electoral Commission Chairman Vladimir Mustafin, whose first term expired 23 May.

Under Saratov law, the electoral commission is elected for a four-year term and the term of the last commission ran out on 23 May. According to the oblast law adopted on 23 March 1999, the new membership of the commission is formed on the basis of recommendations from the region's political parties, social organizations, local governments, and the oblast Electoral Commission itself. The governor and Oblast Duma then appoint seven members from each of the recommending groups.

The evidence suggests that Mustafin violated the law in generating nominations to the new Electoral Commission. The first violation occurred when he convinced the Saratov Oblast social organization Shchit Otechestva (Shield of the Fatherland) to nominate himself and Oblast Electoral Commission Secretary Aleksandr Chumakov. This organization was registered on 7 July 1998 and does not have the right to nominate anyone to the electoral commission until 7 July 1999, one year after its registration.

Second, Mustafin falsified the decision of the Electoral Commission to nominate him and Chumakov for another term. Such decisions are only valid if approved by two-thirds of the members, or 9 of the then 13 members. However, the Commission's decision to nominate the two was taken on 12 April when only 7 members of the Commission were present. Even these vote results were then falsified in the document that the Electoral Commission sent to the governor for the ultimate nominations on 6 May. The name of Gennadii Tochilkin, the governor's deputy chief of staff, was included on the list, even though he was one vote shy of actually being nominated at the Electoral Commission's meeting.

On 17 May Saratov Governor Dmitrii Ayatskov named Mustafin and Tochilkin to the new Electoral Commission. Thus, the very people who are supposed to insure the integrity of the elections and stand as an example of fairness won their position through falsification and forgery.

Against this background, an audit has found that the Oblast Electoral Commission under Mustafin's leadership during the period 1995-98 used 340,000 rubles for purposes for which they were not intended. Mustafin allegedly paid himself 50 percent more than he should have received, inappropriately worked on the campaign of a candidate for the Oblast Duma, and falsified the expense accounts of a business trip to the USA, when his US hosts had paid for the trip.

These problems put the authorities in a difficult position. On one hand, Governor Ayatskov publicly supports the "rule of law." On the other, such blatant violations of the law raises doubt about his management of the oblast. Further developments will show how lawfully the elections are conducted in Saratov Oblast. - Yuliya Yeliseeva in Saratov

NOW YOU KNOW!

WHO ARE THE DONOR REGIONS? Discussions of Russian regions often mention that only a dozen or so of Russia's 89 regions actually contribute more to the federal budget than they receive in return. Usually discussions of the "donor regions" do not define exactly which regions are involved. Now sources inside the Finance Ministry have informed us that there are 13 donor regions: St. Petersburg, Moscow City, Moscow

Oblast, Lipetsk, Samara, Tatarstan, Perm, Sverdlovsk, Bashkortostan, Khanty-Mansi, Yamal-Nenets, Krasnoyarsk, and Irkutsk.

INTERVIEW WITH CHUVASHIYA PRESIDENT NIKOLAI FEDOROV

SECRET AGREEMENTS CREATE BAD PRECEDENTS

In a recent interview with RRR correspondents Vasilii Filippov and Dmitrii Grushkin, Chuvashiya President Nikolai Fedorov made unprecedented statements about the existence and harmful effects of secret agreements signed between the federal government and the regions. The existence of such secret agreements is well known. It is unusual for a regional leader to discuss them so openly.

RRR: What do you think about the agreements signed between the center and the regions? Is the fact that these agreements are prepared on a case-by-case basis an achievement or deficiency of our constitutional system?

NIKOLAI FEDOROV: It is definitely an achievement that our constitution makes it possible for the federal center to sign agreements with the regions. Agreement-based federal relations in Russia are historically justified. The Russian Federation is too diverse for it to be any other way ...

RRR: Are there serious difficulties in realizing the potential established in the constitutional scheme of federal relations?

FEDOROV: The difficulty consists in avoiding mistakes while implementing the constitutional right to agreements between the center and regions. As a jurist, I think that we are far from the spirit and letter of the Constitution. Unfortunately, much is done in secret, and many of the most important documents are not published. We all know that there are secret documents about natural resources which are the property of the entire Russian people. In addition to the agreements with the leaders of several regions, there are also secret and super-secret agreements - in effect side-deals. This creates a very bad precedent. It is an unconstitutional, illegal, even politically criminal practice. And it is dangerous.

RRR: Why is this happening?

FEDOROV: The weakness of the federal center. The lack of knowledge about the dangerous consequences of the precedent-setting character of such deals. This is the root of the problem, not the fact that the Constitution allows for the signing of asymmetrical agreements with the republics.

I am an active advocate of giving as much freedom as possible to the regions in order to preserve the unity of the federal state. If we try to enforce a unified order, it will only encourage the regions to "flee."

The new democrats have learned little from history and in this sense they are Bolsheviks. They are making the old mistakes squared. Apparently, this is the result of a lack of knowledge, education, and culture among today's politicians. Fleeting interests, the desire to preserve their personal and group wealth, and the hope of hanging on to power push them to make political and economic deals. This is really dangerous and

unacceptable. When will this process end? When politicians appear who recognize their responsibility and the danger of making opportunistic agreements ...

RRR: What determines the relationship between the center and the regions: the region's status, ethnic composition of the population, its economic potential?

FEDOROV: On this issue there is not a single approach. Reserves of natural resources, such as oil, gas, diamonds, gold, and forestry products are important. Under any regime or set of authorities, this is clear. But there are also other factors. Geopolitics, for one: Dagestan is located on the border and the center will close its eyes to many things, no matter what happens there. The center will help Dagestan regardless of whether this aid is used effectively or much of it is wasted. A lot of money is spent there, which to my mind, does not make a lot of sense. It is necessary to help them, but we should make the aid effective, so that it is used in the interests of the state and people, and not in the interest of specific groups.

I think that some of my colleagues sometimes create difficult political situations in order to "trade" for additional financial aid. In other words, they seek and find additional ways to "get through" to the federal center in order to attract attention to themselves and therefore win more money.

ETHNICITY ISSUES

STAVROPOL'S ANTI-CHECHNYA RESTRICTIONS HURT MANY OTHERS AS WELL. On 8 April, following the murder of four Stavropol policemen by unidentified assailants on the border with Chechnya, Stavropol Governor Aleksandr Chernogorov closed the border with the rebellious republic beginning at midnight that night (see *EWI Russian Regional Report*, 15 April). However, it was a complete surprise that from 9 April Stavropol refused to admit Chechens along the entire border of the krai. This rule applies not only to Chechens who are registered as residents of Chechnya, but to Chechens who are residents of any other region as well. Thus Chechens from Rostov traveling to Grozny must take a detour through Volgograd, Astrakhan, and Makhachkala to Grozny, an expensive proposition for people who want to help their half-starved relatives in Grozny.

The electric train that served the Ishcherskaya-Mineralnie vody route, which was mainly used by pensioners and ethnic Russians living in Chechnya, is now closed and pension payments to people living in Chechnya have been stopped. The majority of the people affected are ethnic Russians whose pensions are their only source of income. Additionally buses travelling from Grozny to Stavropol and Pyatigorsk are no longer allowed into Stavropol Krai. Thus, Chechens are not allowed to cross into Stavropol from Kabardino-Balkariya. It is not clear why these buses are not allowed in since Pyatigorsk is 200 km from the Chechnya-Stavropol border. The krai authorities refuse to discuss their illegal decision to block Chechens from traveling across the region.

My recent trip to Chechnya showed that the Russian-speaking population of Chechnya is the main victim of the governor's decree. More than 7,000 residents of Chechnya receive their pensions in Stavropol krai. Residents of the Shelkovskii and Naurskii raions of Chechnya complain that they must now pay 100-200 rubles more to visit their children and grandchildren in Stavropol because they have to travel through

Dagestan or North Osetiya (Alaniya). Many said that they would not survive the year if they are not able to receive their pensions. The Russians living in Chechnya complain that the bandits will enter Stavropol by paying off whomever it is necessary to pay off, while the governor's decree only blocks ordinary citizens from visiting the krai. - Kharon Deniev in Stavropol

MEDIA ISSUES

PRIMORSKII KRAI GOVERNOR STRENGTHENS GRIP ON MEDIA. As the December 1999 gubernatorial elections approach, Primorskii Krai Governor Yevgenii Nazdratenko is strengthening his hold on the regional media. In determining whether to approve the krai's 1999 budget, the Oblast Duma, a majority of whose members oppose Nazdratenko, rejected the administration's proposal to spend 19.2 million rubles of krai funds to support the media. Now the governor's and krai's spokesmen are issuing contrasting statements on what the budget lines mean.

The Duma charges that the governor has increased appropriations for the media by almost 20 times in the last three years. The deputies believe that such increases are unacceptable in light of the budget's 30 percent deficit and the dropping standard of living in the region, according to a press release entitled "Strange Priorities" published in *Zavtra Rossii iz Vladivostoka*. The deputies don't want to give additional support to the media at a time when financing for culture, public transportation, communications, and road construction is dropping. The Duma accused Nazdratenko of trying to use tax-payer money for propaganda that benefits the governor.

The governor accused the Duma of exaggerating the figures, since the actual financing for the media during the last several years was really less than had been planned. The governor explained his request for additional funding for the media by citing the poor conditions of the raion-level newspapers, which could not survive without subsidies. Nazdratenko also said that the money is necessary for developing Primore Public Television, which is responsible for providing local residents with a range of information. He claimed that it was vital to supply the population with more information about the activities of the authorities. He said that the media outlets should sign agreements on the basis of which they publish material about the governor and Oblast Duma. The governor offered to divide the money evenly for coverage of his administration and the regional legislature.

In response, the Duma charged that the funds the governor planned to give the raion newspapers reestablished the same kind of ties that existed between the old krai committee of the Communist Party of the Soviet Union and Soviet-era newspapers. The papers would be forced to print stories trumpeting the successes of the administration, while criticizing the governor's opponents. Funding for Primore Public Television was also rejected because when the krai administration sponsored the creation of this company one year ago, Nazdratenko's press secretary openly declared that it would assert the governor's interests. The deputies will return to this issue at the beginning of July and no easy answer is expected.

Currently Nazdratenko controls almost all the major media outlets in the region. In addition to Primore Public Television, there is a local branch of Russian Television, and four other broadcasters, all taking a pro-Nazdratenko line out of necessity. Sergei

Litus, the former director of the Vladivostok television information service, says that local TV is similar to what existed under Brezhnev since it reports lots about the governor and a little about the weather. In addition to the broadcasters, private individuals and social organizations produce numerous free propaganda newspapers and mail them directly to city residents.

The only serious opposition newspaper is *Zavtra Rossii iz Vladivostoka*. But its propaganda potential is considerably less than the aggressive newspaper *Primore*, which had been sponsored by former Vladivostok Mayor Viktor Cherepkov, and was closed in January 1999 after his dismissal. *Zavtra Rossii iz Vladivostoka* Editor Mariya Solovenko charged that the krai and city authorities have declared war on her and are doing everything possible to put the newspaper out of business. In a letter to newly-appointed Prime Minister Sergei Stepashin, she charged that acting Vladivostok Mayor Yuri Kopylov has threatened her personally in his official speeches. She also claimed that the newspaper's telephones are bugged and that the doors to the newspaper's offices were blocked by a private security agency. The journalists only managed to enter when the police intervened. Since the procurator does not respond to her complaints, Solovenko is planning a trip to Moscow and hopes to meet personally with Stepashin.

Several months ago, the Oblast Duma announced that its official newspaper would be *Utro Rossii*, but there is no clear change in its content. - Yevgenii Popravko in Vladivostok

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Matthew Wyman, Keele University in the *The Russian Review*, October 1998

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EastWest Institute
Russian Regional Report
Vol. 4, No. 21, 3 June 1999

Russian Cohesion Index: -27 (down 5 this week)

Disintegration.....T.L.....0.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

*****See the RRR website (<http://www.iew.org/rrrabout.nsf>) for a graphic display of the Russian Cohesion Index since 17 March.*****

----- What initially seemed like a peaceful transition from Primakov to Stepashin has become incredibly chaotic. The short-term effect on the regions is that regional leaders have no one to talk to in Moscow to resolve their problems. In the long-term, the situation is even more alarming as there is no one planning Russia's strategic development. (-6)

+++++ Despite the overall chaos, Stepashin seems much more interested in developing good ties with the governors than Primakov was. He has said that he will personally handle this issue. In contrast, Primakov started his tenure by saying that he wanted to improve the federal government's control over the regions. (+3)

----- Yevgenii Savchenko won reelection as Belgorod's governor on 30 May partly because he moved up the date of the elections by seven months. Now other regional leaders from Moscow to Tomsk are moving election dates to suit their political needs. Playing with the rules of the game like this will definitely damage the legitimacy of Russia's incipient democratic institutions (-3)

+++++ The Russian-South Korean summit on 28 May had mixed results for the regions. While the Russian and Korean presidents signed an agreement to pursue an industrial complex in Nakhodka, the actual implementation is already mixed up in local politics. On the other hand, Rostov officials are trying to take over as much as they can of the talks to ensure increased foreign investment in local industry. The two cases show the positive and negative aspects of the regionalization of Russia's foreign policy. (+1)

----- The Fiat/GAZ and Skoda/Izhmash automobile assembly projects are being delayed in the wake of the August financial crisis. The continued delays show that real recovery from the August crisis is nowhere in sight. (-1)

+++++ On the other hand, the Tver Garment Factory, which once relied on defense orders, has found a way to survive by producing inexpensive but attractive clothing. Many other plants may be succeeding equally well, so it is hard to say what the real impact of the crisis is. (+1)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Patterns of Regional Development

Savchenko Wins By Landslide in Belgorod

Elections 1999/2000

Yabloko, Otechestvo To Cooperate in Volgograd

Igumnov Calls for Regional Unity

Ulyanovsk Leaders Choose Not To Join Regional Blocs

Vsya Rossiya Is Not "All of Russia."

Interviews with Regional Leaders

Krasnoyarsk Otechestvo Leader Describes Situation in Russia, Krai

Media Issues

NTV-Plus Brings Western TV to Russia's Regions

Political Economy

Novosibirsk Rejects Sales Tax, for Now

Foreign Ties

German Business Development Programs in Komi Not Always Effective

Advertisements

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Rossiiskii regionalnyi byulleten, no. 10, 28 May 1999

BREAKING NEWS

POLITICS

CABINET CHANGES AFFECT REGIONS. The events surrounding the 12 May sacking of Prime Minister Yevgenii Primakov and his replacement with Sergei Stepashin will have important consequences for the regions. Unlike past governments, this one will not include a regional leader. Governors like Orenburg's Vladimir Yelagin said that they are not interested in serving and past governors have not lasted long. Former Nizhnii Novgorod Governor Boris Nemtsov joined the government in March 1997 but resigned after Yeltsin sacked Prime Minister Sergei Kirienko in August 1998. He is now trying to build his own political party, Rossiya molodaya, as part of the Pravo delo electoral bloc. Former Leningrad Governor Vadim Gustov served for seven months under Prime Minister Yevgennii Primakov, but was fired just before Primakov himself. He is now trying to win back his old job in Leningrad Oblast.

Governors and regional enterprise directors generally try to build personal relationships with the prime minister as a way of winning more federal resources. The sacking of the prime minister jeopardizes these personality-based deals. One example, is the decrees Primakov signed to help Rostov's Rostselmash combine producer. With Primakov gone, Rostselmash officials fear that they will never see the money his government promised them (*Moscow Times*, 1 June).

While participating in the meeting of the Black Earth interregional association on 2 June, Stepashin said that he personally would handle the government's work with the regions, the Ministry of Finance, and the power ministries. Stepashin said that he wants to modernize Russia's fiscal federalism, allowing regions to switch from "federal taxes to their own taxes" (www.polit.ru, 2 June). Stepashin welcomes allowing regions to raise their own capital, but says that the country has yet to achieve the necessary stabilization for this. Stepashin also stressed that the regions should help formulate federal policy. He stressed the need for permanent contacts between the government and Russia's eight interregional associations since the regions could not solve many problems without federal participation.

Stepashin has already adopted some measures that are seemingly friendly to the regions. On 18 May he signed an order creating regional funds for precious stones and metals (*goskhran*). *Nezavisimaya gazeta* (29 May) described this move as a huge mistake likely to increase the level of criminality in the country. Under the Soviet system, all companies gave the gold, diamonds, and other treasures they mined to the centralized Goskhran, which either exported them or distributed them domestically for industrial use. Now commercial firms mine these resources. The federal state still wants to control them, but has no funds to pay for them. By letting regions set up their own funds, Stepashin is simply spreading the problem from the federal to the regional level since the governors also have no funds to pay the companies for what they extract. Like the federal government, the regional governments will use non-commercial means to gain control of this wealth, creating new arenas for corruption.

The most visible of the new ministers, First Deputy Prime Minister Nikolai Aksenenko, visited Kemerovo Oblast on 31 May and said that he was ready "to share power with the regions" (*Vremya MN*, 1 June). Aksenenko also suggested founding a "stabilization fund" to which Russian enterprises would contribute 2 percent of their output. A reliable representative of the government would manage the fund and disburse money for various investments or regional needs. Aksenenko suggested that some of the money could go to help the Kemerovo coal industry and metal plants and their directors naturally cheered the idea. However, other industrial directors were wary of the plan, saying that it looked like a new tax (*Moscow Times*, 1 June). Aksenenko and Kemerovo Governor Aman Tuleev, both former railroad employees, have particularly close relations. Aksenenko also said that he would personally monitor aid to the region (*Vremya MN*, 31 May).

The Ministry of Internal Affairs is one of the few branches of the federal government that continues to function in the regions. It is working to maintain control of the situation in the North Caucasus and fighting corruption in many other areas, such as Krasnoyarsk, Novorossiisk, and St. Petersburg. The new minister Vladimir Rushailo is considered to be close to Boris Berezovsky because he worked with Berezovsky to free hostages held in Chechnya (NTV, 24 May).

The new government has only one regional ministry, led by Vyacheslav Mikhailov, replacing the Ministry of Nationality Policies (Ramazan Abdulatipov) and the Ministry of Regional Policies (Valerii Kirpichnikov) that existed under Primakov. Kirpichnikov, a spokesman for the country's mayors, has disappeared from the cabinet, suggesting that Stepashin wants closer ties to the governors. The federal government has often used the mayors to gain additional leverage over the governors. Abdulatipov

remains a minister without portfolio, generally serving as a crisis mediator for ethnic disputes. In presenting Mikhailov to his ministry, Stepashin said that he will be directly subordinate to the prime minister, rather than working with a first deputy prime minister.

Mikhailov has extensive experience in the north Caucasus and presumably will devote much of his attention to these issues. He played an active role in the Chechen conflict, serving as Chernomyrdin's man on the ground pushing for a peaceful settlement to the conflict. In November-December 1994, prior to Russia's military invasion, Mikhailov headed a government working committee for conducting negotiations with Chechnya. He handled the first level of talks with Chechnya, which he viewed as a preparation for more senior level negotiations (*Chechnya: Calamity in the Caucasus*, Carlotta Gall and Thomas de Waal, New York University Press, 1998, p. 182). However, the military invasion occurred instead of the second round of negotiations. Mikhailov also headed the Russian delegation for the 1995 OSCE-sanctioned peace talks in Grozny. These negotiations earned Mikhailov's group the reputation as a pragmatic team which sought to outflank the hawks (Gall and de Waal, p. 276). Mikhailov was also instrumental in orchestrating negotiations during spring 1996, which never took place due to the death of Chechen leader Dzhokhar Dudaev.

In the presidential administration, First Deputy Chief of Staff Oleg Sysuev, who handled political and regional relations, resigned immediately after Primakov was sacked. He was one of the few Kremlin officials who advocated cooperating with Moscow Mayor Yurii Luzhkov. General Director of Russian Public Television Igor Shabdurasulov will replace Sysuev as one of the presidential administration's main spokesmen, but it is not clear if he will also handle regional issues (*Kommersant Daily*, 27 May).

TOMSK ELECTIONS MOVED UP. The Tomsk Oblast State Duma has moved up the region's gubernatorial elections from December 1999 to 19 September this year. Governor Viktor Kress asked the date be moved up, *Rossiiskaya gazeta* reported 15 May.

Tomsk's move continues a growing trend among governors. Belgorod's Governor Yevgenii Savchenko won another term on 30 May after moving up his elections from December (see story in this issue) and Moscow Mayor Yurii Luzhkov is likely to move up his elections from June 2000 to December 1999. Tomsk's move will cost the region because while the gubernatorial elections had been set to coincide with the State Duma elections, they will now be held independently.

The trend toward moving election dates forward does not bode well for democracy because the governors are effectively changing the rules of the game to suit their own political interests.

RUSSIA USES FORCE IN CHECHNYA. For the first time since the end of the Chechen war in 1996, Russian helicopters attacked camps of the field commander Khattab on the Terek river on 28 May. The Russian attack followed one by Khattab's men across the Chechen-Dagestani border. One Russian soldier was killed and 13 soldiers and policemen were wounded. During the initial attack Khattab's group lost nine men and 20 were wounded. The attack gave Prime Minister Sergei Stepashin the opportunity to implement his long-advocated policy of firing back at Chechen bases. (*Kommersant Daily*, 29 May)

TULEEV PLANS ANOTHER GOVERNORS' PARTY. Kemerovo Governor Aman Tuleev will found a new political party called *Vozrozhdenie i edinstvo* (Revival and Unity) on 5 June in the Moscow suburbs, *Nezavisimaya gazeta* reported 2 June. The new party will be either a competitor or ally for Golos Rossii, Vsyta Rossiya, and Otechestvo. *Vremya MN* (27 May) suggested that Golos Rossii, led by Samara Governor Konstantin Titov, will represent the liberal governors, Vsyta Rossiya, led by Tatarstan President Mintimer Shaimiev and St. Petersburg Governor Vladimir Yakovlev, will represent the centrists, and Tuleev's party will support the left. While neither the right or center sections of the political spectrum can boast unity, the appearance of this party further divides Russia's Communists.

Besides Tuleev, other participants expected are Agrarian Party leader Mikhail Lapshin, Spiritual Heritage leader Aleksei Podberezkin, and Popular Power leader Nikolai Ryzhkov. The party will call for a new regional policy that, on one hand, recognizes the real responsibility of the regions for their own economic and social development, and, on the other, strengthens the federal government's economic policy. The party will replace Russia's super-presidentialism with a more equal division of power. *Vozrozhdenie i edinstvo* will also support small business, agricultural enterprises, and reforming the process of fiscal federalism by reworking the procedure for handing out federal subsidies to the regions. In foreign policy, the party calls for ending unfounded Russian aid to other countries, and suggests practical steps such as halting any progress on a Russian-Belarusian union that would drain Russia's economic resources.

ECONOMICS

QUARTER OF RUSSIANS CONSIDER THEMSELVES MIDDLE CLASS. Twenty four percent of Russians consider themselves middle class, according to a survey conducted by the Russian Independent Institute for Social and National Problems and the German Ebert Foundation. More than 62.8 percent of these people earn more than 1,500 rubles a month (about \$60 by current exchange rates), the lower limit for the middle-class in March 1999. Such an income is relatively modest in comparison with standards in the west, but Russians benefit from numerous sources of hidden income and low charges for transportation and municipal services. Where owning property usually marks the middle class in the west, owning a car is the main symbol of such affluence in Russia. (*Kommersant Daily*, 1 June)

SAMARA OBLAST RAISES SALES TAX. The Samara Oblast Duma has decided to reduce the number of goods excluded from the 5 percent sales tax it implemented at the beginning of the year. When the new levy was introduced, the legislators applied a reduced tax rate to alcohol (2 percent) and automobile (3 percent) sales. Producers of those goods must now pay the full 5 percent. Samara is home to the giant AvtoVAZ plant that produces more than 70 percent of Russia's light automobiles and dealers then warned that imposing the full 5 percent tax on them would force them to do business outside the oblast (see *EWI Russian Regional Report*, 14 January).

Unfortunately, the oblast did not collect as much money as it had hoped during the first quarter of the year. By reducing the number of exclusions from the tax, the legislators hope to earn an additional 200 million rubles, AK&M reported 26 May.

AVTOVAZ RESTRUCTURES DEBT. Samara Oblast's AvtoVAZ held its annual shareholders meeting on 29 May and reelected the auto giant's leadership almost without change. The plant had been unable to sell its cars before the 17 August financial crisis, but since then has benefited from an enormous jump in demand for less-expensive domestic products. A week before the meeting, the company's managers succeeded in restructuring the plant's 12 billion ruble debt with the federal government. AvtoVAZ will pay it back over 10 years, while giving the state shares with a nominal value of 16.1 billion rubles as collateral. AvtoVAZ will pay off 35 million rubles of its debt a month. (*Kommersant Daily*, 1 June)

ARKHANGELSK STRESSES FORESTRY DEVELOPMENT. In his annual address to the member of the Arkhangelsk Legislative Assembly on 24 May, Governor Anatolii Yefremov stressed that developing the forestry industry would be one of the oblast's top priorities. Forestry is one of the main bases of the regional economy since it makes up more than 40 percent of the oblast's overall industrial output. The main priority within the forestry sector should be increasing the output of the timber processing factories. The oblast hopes to invest in the equipment necessary to make this increased output possible. (AK&M, 24 May, <http://www2.akm.ru/rus/news/1999/may/24/ns268741.htm>)

PATTERNS OF REGIONAL DEVELOPMENT

SAVCHENKO WINS BY LANDSLIDE IN BELGOROD. Incumbent Governor Yevgenii Savchenko won the 30 May Belgorod elections taking 53.46 percent of the vote, according to the Central Electoral Commission (http://www.fci.ru/elections/31_2221101_3005.htm). The two main competitors trailed significantly, Communist-backed Mikhail Beskhmel'nitsyn won 19.71 percent, while Liberal Democratic Party of Russia (LDPR) leader Vladimir Zhirinovskiy took 17.72 percent. Turnout was unusually high at 71.33 percent.

A variety of factors apparently contributed to Savchenko's victory. Even after the 17 August economic collapse, the economic situation in Belgorod remains among the best in the country. As a result, his slogans of "my goal is to make life comfortable" and "our main concern is to strengthen the family" seem to have struck a reassuring chord. Savchenko also benefited from his dominance of the local media (see *Vremya MN*, 1 June). Beskhmel'nitsyn, on the other hand, attributed Savchenko's victory to his ability to move the elections forward to 30 May from their originally scheduled date in December. Changing the date of the ballot made it difficult for the opposition to organize against the incumbent. Zhirinovskiy's participation in the race may have consolidated much of the electorate around Savchenko as the only viable alternative (*Izvestiya*, 1 June). In an interview with *Kommersant Daily* (1 June), Savchenko said that he was considering joining the Vsesya Rossiya bloc and praised Tatarstan President Mintimer Shaimiev and St. Petersburg Governor Vladimir Yakovlev as "very good people."

The presence of Zhirinovskiy in the race accounts for the high turnout since he brought a level of sizzle the race would have otherwise lacked. Many observers believed that the Belgorod voters would dump their local leaders and elect the Moscow politician as their governor. However, Zhirinovskiy ruined his image in the region in the days

leading up to the vote. *Komsomolskaya pravda* (1 June) claimed that Zhirinovskiy had tried to win the race by asking Anatolii Chubais, the head of Russia's electricity monopoly, to temporarily cut power to the region, so that he could then appear as a savior by turning on the lights in the homes of local residents. Chubais rejected this idea. Three days before the elections, Zhirinovskiy grabbed a motorist by the hair and forced him to his knees after the unfortunate driver had tried to pass the LDPR entourage on a regional highway. Such incidents do not play well in the provinces, where all the voters feel that they are being grabbed by the hair themselves.

Observers also pointed out that Zhirinovskiy's campaign was extremely cynical and aggressive. "All stand when you are being addressed by a member of the State Duma," "Dregs, mongrels," "You are fools, brainless idiots, economically illiterate dolts" were just some of the more moderate ways Zhirinovskiy addressed the voters. His defeat showed that the provincial electorate was not going to fall for his populist tactics.

If these elections are a model for the upcoming national parliamentary and presidential elections, then parties will likely violate all principles and overcome all antipathies in forming alliances of strange bedfellows. For example, both the Communists and Yabloko supported the independent Beskhamelnitsyn. Savchenko had the support of a wide spectrum of parties: the Agrarians, Otechestvo, Pravoe delo, Novaya sila, and the local press. He was able to win reelection even though voters often do the opposition of what the media tells them. In this case, the local elite was able to hang on to power. - Sergei Sarychev in Kursk

ELECTIONS 1999/2000

YABLOKO, OTECHESTVO TO COOPERATE IN VOLGOGRAD. Last week Yabloko formed an alliance with Volgograd Mayor Yurii Chekhov when Vladimir Lukin and Nikolai Travkin, Yabloko State Duma deputies and members of the party's leadership, visited Volgograd (for more on Chekhov, see *EWI Russian Regional Report*, 22 December 1998 and 18 March 1999). "We are interested in the situation in strategic regions," Lukin said. "You will soon elect a mayor and city Soviet. We met Mayor Chekhov and agreed on an alliance between the regional Otechestvo movement (led by Chekhov) and Yabloko. We'll support Chekhov for mayor and coordinate our activities for the city Soviet elections".

Answering a question about Yabloko's traditionally negative attitude toward alliances, Lukin said that his party's attitudes depend on the partners. Yabloko considers it unnecessary "to consolidate with virtual parties like Nashe delo or Molodaya Rossiya that represent just their leaders."

Elections in Volgograd will take place this fall, although the exact dates have yet to be set. The Communists are already stepping up their attacks on Mayor Chekhov, even though they have yet to name their own candidate. The lack of a specific contender will not hurt them since the Communist electorate votes for the party, rather than a person. In facing the Communist monolith, Chekhov's team is trying to drive wedges between the members by publishing "doubts" in newspapers he controls about whether regional Communist leader Alevtina Aparina is still influential among the party's top leadership. *Gorodskie Vesti*, for example, analyzed TV coverage in which Aparina voiced opinions radically different from those of Communist Party leader Gennadii Zuganov.

There is one more mayoral candidate -- State Duma deputy Yevgenii Ischenko (LDPR), who began his campaign by voting to impeach Yeltsin, despite the unified stand of Zhirinovskii's faction in favor of Yeltsin. However, no observers believe he has a realistic chance of winning. - Ivan Kurilla in Volgograd

IGUMNOV CALLS FOR REGIONAL UNITY. Perm Governor Gennadii Igumnov called upon the region's supporters of Our Home is Russia (NDR), Vsyá Rossiya, Golos Rossii, and Otechestvo to unite. Igumnov made this announcement at a meeting of the oblast's NDR branch, where he gave a report on the problems the movement faces in preparing for the upcoming State Duma elections. On 18 July a session of the coordinating council of NDR regional branches from the Urals and Western Siberia will take place in Perm, with NDR leader Viktor Chernomyrdin presiding. (*Zvezda*, 28 June) - Andrei Suslov in Perm

ULYANOVSK LEADERS CHOOSE NOT TO JOIN REGIONAL BLOCS. Ulyanovsk Governor Yurii Goryachev and Chairman of the Oblast Legislative Assembly Sergei Ryabukhin recently issued a public announcement stating that they have not joined any political party and do not intend to do so. The statement was meant to clarify media speculation on the involvement of the oblast's top political leaders in various political parties and movements. Goryachev and Ryabukhin announced that the rumors about their party membership were "actively used by certain sources to discredit us and raise doubt about our honesty."

Goryachev and Ryabukhin noted in their announcement that "Even if someone signs us up in a party or movement without our consent, we will immediately cancel our membership." This statement contradicts information provided by Our Home is Russia (NDR) and the regional electoral bloc Golos Rossii. In a 19 May interview published by *Simbirskie gubernskie vedomosti*, NDR executive committee chairman Sergei Zhiltsov said that Goryachev was elected to the movement's political council with his consent. Even though Goryachev had the opportunity to withdraw his candidacy at the last NDR congress, the movement has not received an announcement of his intention to leave its ranks. Goryachev and Ryabukhin also appear on the list of initiators for Samara Governor Konstantin Titov's Golos Rossii movement as published in *Kommersant Daily* on 19 February.

Nevertheless, Goryachev and Ryabukhin emphasize in their announcement that "the only political organization that we consider ourselves members of and support is our Ulyanovsk Patriotic Union [USP], which, like us, guards the interests of the region and all its inhabitants." The USP is in essence a campaign organization for leftist parties and movements. Originally the USP had the same acronym as the Communist Party of the Soviet Union--KPSS, standing for the Congress of Patriots for Social Justice (for more information on the Ulyanovsk Patriotic Union, see *EWI Russian Regional Report*, 19 November 1998).

Goryachev and Ryabukhin offered the following description of their official relationship to parties and movements: "We reserve the right to support those whose activities best support the interests of Russia and our oblast." This vague stance leaves open the possibility of cooperation with various movements and parties should Goryachev and Ryabukhin so desire. - Sergei Gogin in Ulyanovsk

VSYA ROSSIYA IS NOT "ALL OF RUSSIA." The founding congress of the political bloc Vsyia Rossiya shed light on many aspects of the movement (for earlier reports on the congress, see *EWI Russian Regional Report*, 27 May). The first and most apparent is that the newly formed bloc, in spite of the name it claims, is not all of Russia. Leaders from only 8 of Russia's 89 regions attended the congress. Many authoritative regional leaders did not feel it was necessary to support this bloc. Additionally, the bloc does not have a recognized and influential political leader. Not one of the bloc's founders is regarded as a national leader. Therefore, the bloc does not have any real popular authority and few average citizens know anything about it.

The bloc was created by ruling leaders--though from the regions--and therefore appears to be an association of politicians that does not have a mass base of public support. The bloc operates exclusively on the administrative resources held by regional political elite. Essentially the regional leaders hope to "organize" elections to seat their candidates in the State Duma. However, even if this plan works in Tatarstan, Bashkortostan, or Ingushetiya, it does not mean that it will work in other regions, particularly those where there is rivalry between the governor and the mayor of the capital city and where the head of the legislative assembly is not under the control of the governor or president.

The main question being considered by several Moscow analysts is whether or not Vsyia Rossiya will merge with Moscow Mayor Yurii Luzhkov's Otechestvo. Luzhkov supports the idea of dividing the country into 10-12 regions, which is unacceptable for Tatarstan and other ethnic republics in the Russian Federation. Thus, Kazan is considering the possibility that Otechestvo and Vsyia Rossiya might join forces only until the State Duma elections so that Vsyia Rossiya will not have to support Luzhkov in the presidential elections.

Another element that could shed light on the Luzhkov-Shaimiev relationship is the respective leaders' relations with the president. As *Kazanskoe vremya* noted, Luzhkov's supporters in the Duma voted against Russian President Boris Yeltsin in the impeachment hearings earlier this month, which was to be expected. However, Shaimiev's Duma supporters, including members of Vsyia Rossiya and leader of the Russian Regions Duma faction Oleg Morozov, also voted for Yeltsin's impeachment. This marks a change in Shaimiev's attitude towards the federal government, since the republican president relies on good relations with the center to maintain its level of sovereignty. Given this context, would it not be in Shaimiev's best interests to distance himself from Luzhkov and Otechestvo?

Vsyia Rossiya's congress received a welcoming from Yeltsin and Russian Prime Minister Sergei Stepashin. Is the federal government truly concerned about the potential merger the bloc could make with Luzhkov? Congress participant and Shaimiev advisor Rafael Khakimov told *Vremya i Dengi* on 25 May that the movement's main goal is to support the regions above all else. Regarding influencing the formation of the government, Shaimiev expressed a more modest wish: "to form a constructive non-polarized majority in the Duma." The real question is whether, by supporting the bloc, the federal center is pushing Russia toward further regionalization. - Midkhat Farouksine in Kazan

INTERVIEWS WITH REGIONAL LEADERS

KRASNOYARSK OTECHESTVO LEADER DESCRIBES SITUATION IN RUSSIA, KRAI

Vyacheslav Novikov is the leader of the Krasnoyarsk Krai branch of Moscow Mayor Yurii Luzhkov's Otechestvo movement and a front-runner to win a seat from the kraii in the December 1999 State Duma elections. At the dawn of perestroika, he was elected chairman of the Krai Council of People's Deputies. After 1993, when the soviets were disbanded, Novikov served as the director of the Center for Strategic Planning, which was a brain trust for former Governor Valerii Zubov. On 31 May, RRR Correspondent Pavel Avramov interviewed him.

In the interview, he stuck to the right-centrist line of Otechestvo which harshly criticizes President Yeltsin, the State Duma, Communists, Lebed's party, and such right-wing parties as Yabloko, Our Home is Russia, and Pravoe delo without sacrificing its own room to maneuver and negotiate with them.

RRR: How do you see the current situation in Russia and in Krasnoyarsk Krai?

Vyacheslav Novikov: If we are speaking about Russia, then the most accurate and crude description is "*bardak*" (a brothel, complete chaos). The unfounded sacking of Prime Minister Yevgenii Primakov, the lack of a strategy for forming the government, the real confrontation between the president and the State Duma, and the latent confrontation between the president and the Federation Council means one thing - the country is in a serious political crisis. This political crisis is provoking and will continue to provoke the economic crisis which is permanently afflicting our country. The only thing that comforts the residents of the kraii is that the decisions taken inside the Ring Road are usually delayed in coming to Krasnoyarsk and are often leveled by later decisions. On the eve of his political demise, the president is taking such impulsive decisions that it is difficult to predict what will happen in the near future.

As for Krasnoyarsk Krai, the situation is developing by completely different laws and everything is taking place under the aegis of Governor Aleksandr Lebed. The general situation is depressing. Lebed was simply not ready to rule the region when he took office [one year ago]. He is a logical person and could quickly learn what he needed to know, but unfortunately his interests are in a completely different sphere. He simply doesn't have any interests in Krasnoyarsk. He is much more interested in national politics and hopes to win a high office. As a result the kraii is not being governed. It is impossible to detect any substantive managerial impulses. It turns out that this is not so bad. It turns out that without firm leadership, the system can correct itself through its own inertia and self-regulation. However, strategically, this is very bad. All of Krasnoyarsk's recent problems are political. The recent battle over the coal company is a good example. While [Krasnoyarsk Aluminum Factory Board of Directors' Chairman Anatolii] Bykov and Lebed were fighting, the possibility of the kraii maintaining control over the coal company was lost. Now it will be sold to the highest bidder with unknown consequences. [The government announced at the end of May that it will sell a 75.6 percent stake in the Krasnoyarsk Coal Company for approximately \$100 million. The company controls three

large coal pits in the region, and local observers believe it is worth much more.] Coal for us is not just another enterprise, but a life support system. Any change in the ownership of the company will have serious consequences for the krai.

The main problem is that Lebed has not set up a management team. The krai administration is built on the principle of a balance of interests. [This prevents him from acting effectively.]

RRR: What will the situation be like during the State Duma campaign this fall?

NOVIKOV: Until last year's gubernatorial elections, Krasnoyarsk had a patriarchal system that used classical techniques - a courteous battle, based on attracting supporters rather than destroying opponents. As a result, election results were generally predictable. After the gubernatorial elections, which were characterized by an unprecedented use of dirty campaign techniques, the situation changed dramatically and now politicians and people have a sense that anything goes. All future elections will be held according to these rules. However, the State Duma elections will differ from the governor's elections for the better because of the inertia of a majority of the candidates who have yet to realize that they can do anything within the framework of the campaign. The Moscow and St. Petersburg public relations consulting firms, which revel in the use of dirty campaign techniques, will not make it out to Krasnoyarsk. It is also unlikely that national figures like Zhirinovskiy will compete out here, so the elections will be peaceful.

MEDIA ISSUES

NTV-PLUS BRINGS WESTERN TV TO RUSSIA'S REGIONS. NTV-Plus, Russia's first satellite television service, has launched an ambitious campaign to expand broadcasting in Russia's regions, and plans to bring pay-TV to about 10 percent of Russian households by the middle of the next decade.

NTV-Plus, which is part of the Media-MOST holding owned by tycoon Vladimir Gusinsky, currently reaches 70 percent of Russia's population, from Kaliningrad to Tyumen in Western Siberia, but it hopes that the launch of a second satellite in the near future will allow it to cover the entire country, and the company is thinking about expanding to reach Russian-speaking audiences in western Europe and America.

Previously dependent on Russian government satellites, NTV Plus launched its Bonum-1 satellite last November, financing it with a \$150 million loan, 85 percent of which came from a consortium of American banks led by Chase Manhattan Bank. The loan is guaranteed by the federal government.

Actual broadcasting in high-definition TV began on 1 February, and today subscribers can receive 23 major international channels, in Russian, including Euronews, Discovery Channel, Fox Kids, and Eurosport. In May, the company added a package including BBC World and Entertainment channels.

Media-Most plans to invest another \$70 million in the launch of the second satellite, though the company would not specify when that will happen.

NTV-Plus first began airing its service on 1 September 1996, and the company is often quick to boast about the radical nature of its project. "Our service is for those Russians who want to be plugged in to what is happening in the rest of the world," said Vladimir Lensky, executive director of NTV-Plus, at a press conference in St. Petersburg

A pivotal part in the company's plan, begun earlier this year, has been efforts to modernize the quality of its transmission technology from the existing analog system to a state-of-the-art high-definition digital signal, as well as to increase the number of international channels offered. The company expects the switch-over to be completed by the end of the year.

Also, while the old system was only able to handle five channels, high-definition broadcasts will allow up to 48 channels, though NTV-Plus viewers are currently only offered 23 channels.

In only two years of existence, NTV-Plus has gathered about 150,000 subscribers. But if the Russian economy does not experience any more major upheavals between now and the middle of the next decade, company officials estimate that number will grow to 3.5 million. "Right now our service is a new product and one that is considered elite," said Lensky. "But our ultimate goal is that the cost of our service will come down and be accessible to a wider public. While we hope to have about 350,000 subscribers in a few years, we think it is realistic to eventually have about 3.5 million subscribers."

While an equipment upgrade to high-definition costs about \$350, existing customers will pay only \$110, with NTV-Plus subsidizing the rest. New customers, however, will pay \$399 for the hook-up, and then a \$19.20 monthly flat-rate.

The large sums invested for such a risky and expensive project encourage skeptics to charge that the project will not break even. Yet, some analysts think that the project can be economically feasible, as long as the Russian economy is not subjected to further shocks like last year's August financial crisis and ruble devaluation. "If you look what is happening in the West, pay satellite TV has a big future, and the market is growing quite fast," said Yuri Krapivin, a telecommunications analyst at MFK Renaissance, a leading investment bank in Moscow. "While the most important factor will be the overall performance of the Russian economy over the next five years, I would say that 3.5 million subscribers is achievable provided that the fees stay in the range of \$10- \$20 a month." - John Varoli in St. Petersburg

POLITICAL ECONOMY

NOVOSIBIRSK REJECTS SALES TAX, FOR NOW. On 27 May the Novosibirsk Oblast Soviet voted against introducing a sales tax in the region. The 5 percent sales tax on goods and services has served as a continual cause of arguments between Novosibirsk's governor, who supports the tax, and the legislature since the end of last fall. The law passed in its first reading at the previous session, even though all of the deputies speaking on the issue were categorically opposed to it (see *EWI Russian Regional Report*, 27 May 1999). It is unfavorable to businessmen for economic reasons and to Communists for political reasons. Yet, if the new tax is not imposed, there will be insufficient revenue to cover the oblast's 1999 budget. It was this argument that decided the outcome of the first vote.

The majority of those attending the soviet's 27 May session were certain that the law would be adopted in its second reading, yet contrary to expectations, it did not pass. Now, the tax bill is being revised and will be reconsidered at the soviet's next session. As *Novaya Sibir* noted, the results of the vote provoked particular indignation from Novosibirsk Governor Vitalii Mukha.

At present, only 18 of Russia's 89 regions have not introduced a sales tax. Novosibirsk's 1999 budget anticipates revenue from the tax. If the tax is not passed at the next session, the oblast will face a budget shortfall, and relations between the deputies and the oblast administration could deteriorate considerably. - Stanislav Okhvat in Novosibirsk

FOREIGN TIES

GERMAN BUSINESS DEVELOPMENT PROGRAMS IN KOMI NOT ALWAYS EFFECTIVE. On 24 May Komi Executive Yurii Spiridonov participated in the presentation of a new international project on stimulating more cooperation between entrepreneurs in Komi and Germany. The program will evolve through three phases. In the first phase, a few Komi businesspeople, the so-called "teacher-multipliers," will travel to Germany to learn the specifics of German business. During the second phase, the instructors, having returned from Germany, will teach Komi entrepreneurs how to work with German partners. In the third phase, the business people will set up joint ventures in Komi with the participation of German firms, *Molodezh severa* reported on 27 May.

Implementing the first steps of the program will not be particularly difficult, but the third step will be extremely complicated. Komi's experience with joint ventures shows that many are simply inactive or work poorly. The entrepreneurs' preparation is not always the decisive factor. It is more important to create good conditions in which the businesses can thrive. Of course the republican authorities try to increase their ties with western businessmen, but often they rely on purely administrative and formal methods. - Yurii Shabaev in Syktyvkar

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EastWest Institute
Russian Regional Report
Vol. 4, No. 22, 10 June 1999

Russian Cohesion Index: -29 (down 2 this week)

Disintegration.....T.L.....0.....Democratic Federalism

(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:

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---- Despite a few bright spots, foreign investment in Russia was way off during the first quarter of this year, following the economic crisis of August 1998. Not much improvement can be expected until well after the June 2000 presidential elections. (-2)

---- Governors are continuing to move the date of their elections to suit their own political purposes. Following the successful use of this technique by Belgorod Governor Yevgenii Savchenko, now Novgorod, Omsk, Tomsk, and Moscow have or are about to push the elections forward. Playing with the rules of the game like this for short-term political gain will only increase the cynicism of voters. Nevertheless, this trend seems to be gaining momentum. (-2)

---- The governors are continuing to seek control over major regional enterprises and the natural monopolies. This kind of "decentralization" is unlikely to stimulate economic improvement. The governors' desire to grab more resources seems to be accelerating as more of them come up for reelection. (-1)

---- The growing importance of the extremist Russian National Unity cannot be ignored as it seems to be able to take advantage of regional economic difficulties in places such as Tver. Although Moscow Mayor Yurii Luzhkov has waged a visible campaign against it, some local officials seem willing to support the group. (-1)

+++++ George Soros is now devoting much of his philanthropic work in Russia to the regions. Hopefully, his highly visible efforts will stimulate the interests of other major funders. (+2)

+++++ Russia is slowly building up domestic industry to replace the ties it lost with the dissolution of the USSR. Efforts to produce buses domestically, often in cooperation with foreign makers, will reduce the country's dependence on costly imports. (+2)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Patterns of Regional Development

Novgorod Moves Up Gubernatorial Elections

Russian National Unity Meets in Tver

Pro-Titov Media Backs Effort To Remove Samara Mayor

Kaliningrad's Black Hole Deepens

Elections 1999/2000

Otechestvo Strengthens Position in Dagestan

Pensioners' Party Opens Branch in Stavropol

Political Economy

Investors, Governor Battle Over Yaroslavl Tire Factory

Krasnoyarsk Aluminum Factory Holds Shareholders' Meeting

Foreign Ties

Sakha Participates in Northern Forum...

...As Does Komi

Buryatiya's Customs Agencies Face Challenges

Regional Links

World Bank Report on Fiscal Federalism

Stepashin Cabinet: Who's Who

Brief Profiles of the New Cabinet

Advertisements

*** New EWI Book on Eurasian Security***

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BREAKING NEWS

POLITICS

REGIONAL BLOCS HAVE BUSINESS BACKING. Russia's new regional blocs mark the rise of the export sector, according to a report in the *Russia Journal* (24 May). Nearly all the regional leaders in Vsyá Rossiya have close ties to LUKoil, the paper argues, and the bloc's committee of founders includes LUKoil Vice President Leonid Fedun. Moves to build ties between Vsyá Rossiya and Moscow Mayor Yurii Luzhkov's Otechestvo would strengthen these alliances since Luzhkov has strong links to LUKoil, but this union has yet to take place and some doubt that it will happen.

Samara Governor Konstantin Titov's Golos Rossii is supported by the Siberian Aluminum Corporation. Khakasiya President Aleksei Lebed is also working in the bloc. The key members of Siberian Aluminum include Khakasiya's Sayansk Aluminum Plant and Samara's Sameko. Most of Russia's aluminum plants simply import the raw materials to make aluminum and then export the metal. Siberian Aluminum is trying to develop its

own supplies of raw materials and then produce more value-added products, such as aluminum cans and foil, for sale on the domestic market.

The *Russia Journal* argues that the blocs will not support separatist tendencies. However, they will give the governors access to businesses with large amounts of cash.

GOVERNORS SEEK MORE FROM NATURAL MONOPOLIES. The governors have much less respect for the Kremlin now that it controls relatively fewer resources that can be distributed to the regions, according to a report in *Vremya MN* on 8 June. Instead the governors are more interested in developing ties with the natural monopolies, Gazprom, Unified Energy System (EES), and the railroads, which control concrete resources. Many governors now want to control a piece of EES. The leaders of Tatarstan and Irkutsk have been most successful here since their local energos are not part of the national monopoly. Another leader with good connections to the monopolies is Kemerovo Governor Aman Tuleev, who has close personal ties with First Deputy Prime Minister Nikolai Aksenenko, the former railroads minister. Tuleev also has close ties to the lucrative Transrail, a firm that the Russian press charges is siphoning off much of the profit the railroads generate (see profile of Aksenenko in this issue for more on Transrail).

The governors apparently have increasing power over the oil companies as well. Orenburg Governor Vladimir Yelagin was able to block the creation of a state oil company because he did not want the oblast to lose control of the local ONAKO. In other regions, Yukos is strongly interested in forming an alliance with Samara Governor Konstantin Titov and LUKoil is seeking friendly ties with St. Petersburg Governor Vladimir Yakovlev.

But EES head Anatolii Chubais and Aksenenko remain two of the most powerful men in the center with control over the regions. By cutting off electricity for non-payments or changing rail rates, either of these two could ruin a regional economy. However, the power of these two men is not enough to preserve control over the regions, especially since the governors are seeking an ever greater dispersal of power. The governors already control 33 percent of EES. During the next crisis, the Kremlin may not be able to win the governors' loyalty with some concession from EES or the railroads, *Vremya MN* warns.

MOSCOW DUMA CONSIDERS MOVING UP INCREASINGLY BITTER MAYORAL ELECTIONS... The Moscow City Duma will decide on 11 June whether or not to move the city's mayoral elections forward to December 1999 from June 2000. Former Prime Minister Sergei Kirienko has made clear his intention to run if the change is made (*Nezavisimaya gazeta*, 4 June). He has called for an investigation of incumbent Moscow Mayor Yurii Luzhkov's activities, complaining that nothing could be done with giving a bribe, and charging that the press is under Luzhkov's control (*Izvestiya*, 8 June). Luzhkov responded by pointing out that Kirienko is a weak candidate, but nevertheless threatened to sue him. *Izvestiya* commented on 9 June that Luzhkov's paranoid attack on Kirienko, who has little chance of defeating the mayor, suggests that Luzhkov has something to hide. Moreover, his attack on Kirienko is a clear public relations disaster.

... WHILE OMSK DOES TOO. The Omsk legislature is considering moving up the gubernatorial elections from 19 December, when the State Duma elections will be held to 5 September, a change that would increase Governor Leonid Polezhaev's chances of winning. The campaign to move up the elections is part of Polezhaev's battle with Omsk Mayor Valerii Roshchupkin, who had wanted to move his mayoral elections to a time before the gubernatorial elections, so that he could compete for the governorship without fear of losing his seat as mayor. Now the governor's elections will likely be before the mayoral elections. The legislature will make a final decision on 24 June. (*Vremya MN*, 7 June)

TULEEV FOUNDS PARTY. Kemerovo Governor Aman Tuleev founded the Vozrozhdenie i edinstvo party on 5 June in Moscow and it will compete in the parliamentary and presidential elections (see *EWI Russian Regional Report*, 3 June). The party was supposed to unite the "red" governors, but none of them participated in the founding congress. Like Luzhkov, Tuleev is well-known for his authoritarian tendencies, but unlike the Moscow mayor, he does not have the financial resources to attract other members. (*Vremya MN*, 7 June)

KARACHAEVO-CHERKESIYA ELECTION RESULTS CONFIRMED. The Karachaevo-Cherkesiya Supreme Court confirmed the 17 May election of Vladimir Semenov as the republic's first directly-elected president on 10 June, Polit.ru reported. Semenov's main opponent, Cherkessk Mayor Stanislav Derev, plans to protest the decision to the Russian Supreme Court.

Grigorii Kazankov, Derev's campaign manager, charged that the elections were not valid because many people who died before the polling, residents of other regions, and even children under the age of 18 voted in the elections. He also charged that the number of voters in Cherkessk had suspiciously gone up 10 percent between the two rounds, from 20,000 to 22,500. Kazankov charged that Semenov knew what was happening, but became a prisoner of the situation. He claimed that Semenov supporters terrorized many of Derev's ethnic Russian voters who were then afraid to participate in the runoff. He claims that if the elections had been free and fair, Derev would have won by a tally of 52 to 44-43 percent. Kazankov warned that if the results are not cancelled, it would set a bad precedent and candidates would employ terrorist means to win elections in other Russian regions. (*Vremya MN*, 7 June)

ECONOMICS

FIRST QUARTER FOREIGN INVESTMENT DROPS 70 PERCENT. Foreign investment in Russia during the first quarter of 1999 dropped 70 percent in comparison with the first quarter of 1998, according to Goskomstat. Investors brought \$1.5 billion to the country, while outflow was \$1.57 billion, an increase of 450 percent. The drop in investment and surge in outflows mark a dramatic change from previous years. Sixty percent of western companies have put investment plans on hold and 30 percent have scrapped them altogether according to an Economist Intelligence Unit survey of 75 companies working in Russia.

Of the \$600 million in direct foreign investment, almost half, \$271 million, was made in the food sector. Nonferrous metals and fuel followed on the list. Together these three areas made up 84 percent of the direct foreign investment. Most firms expect sales to recover to their pre-crisis levels in three years. (*Moscow Times*, 3 June)

SOROS REDIRECTS AID TO REGIONS. Philanthropist George Soros is closing down some of his science support programs in Russia, and replacing them with new ones. Most of the new aid will be concentrated in the Russian regions, with Moscow and St. Petersburg getting very little. The largest program is a \$100 million effort to buy books, journal subscriptions, and computers for regional libraries. Soros will also invest more money in electronic publications and help publishers develop their marketing campaigns. Cultural projects, such as the development of regional museums, including expanding their Internet capabilities, and sponsoring theater festivals are another priority (*Vremya MN*, 8 June). Soros will only provide half of the financing, asking the federal and regional governments to provide the other half.

The philosophy behind Soros's giving is his belief that the future of Russian democracy depends on the ability of the regions to win more power from Moscow. Soros wants individuals to be able to think for themselves and hopes that they will then be able to come to the same conclusions, an outcome that will admittedly be difficult to achieve, CNN reported 8 June.

YUKOS SETS UP INTERNET SERVICE PROVIDER. The Yukos oil company has invested \$10 million in setting up the Siberian Internet Co. in the city of Nefteyugansk (Khanty-Mansii Autonomous Okrug). The home page of the provider is www.intergrad.ru, but the site remains under construction. The new company is targeting young people in Tomsk, Samara, and Tyumen oblasts, the main areas of its operations. The company offers services like designing web sites and long-distance telephone calls. Hurdles the company must overcome are the fact that many houses in western Siberia do not have Internet access and a technical glitch prevents some potential users from dialing in to the provider. Siberian Internet plans to charge \$20 a month for unlimited access, much less than the \$2 per hour most providers charge. (*Moscow Times*, 8 June)

PATTERNS OF REGIONAL DEVELOPMENT

NOVGOROD MOVES UP GUBERNATORIAL ELECTIONS. For several months Novgorod Governor Mikhail Prusak has been voicing his desire to move up the gubernatorial elections from December 1999 to September. Although these statements provoked many rumors, the media generally ignored them. However, the legal wrangling over Belgorod's decision to move up the elections brought the issue to a head.

Although Olbast Procurator Anatolii Chugunov had asked that the decision be delayed until June, on 20 May, the Novgorod Oblast Duma voted to hold the elections on 5 September. Oblast Duma Chairman Anatolii Boitsev simply said that the law gave the Oblast Duma the right to set the elections and a majority of the deputies voted in favor of moving them to September. In Novgorod, the Duma majority usually goes along with Prusak.

Despite the Oblast Duma's approval, the law setting the elections was not actually published until 1 June. During the interval, the Novgorod branch of the leftist Popular Patriotic Union requested that the gubernatorial elections be held at the same time as the State Duma elections. They charged that Prusak had moved the elections up to serve his own political interests rather than to improve the economic or social situation in the oblast. The governor and his associates apparently fear that many within the regional electorate will back the opposition. Combining the gubernatorial and State Duma voting could potentially increase turnout enough to throw Prusak out of office. The leftists also charged that the oblast will have to spend large sums to pay for two election campaigns within four months of each other.

Despite the objections of the opposition, the publication of the law setting the elections for 5 September marks the beginning of the campaign. - Ivan Novgorodskii in Velikii Novgorod

RUSSIAN NATIONAL UNITY MEETS IN TVER. On 29 May, the extreme nationalist Russian National Unity (RNE) held a regional conference in downtown Tver, demonstrating the party's strength in the region and its determination to fight for power at all levels (*Vechernyaya Tver*, 1-2 June). In contrast to the nearby city of Moscow where Mayor Luzhkov has waged a campaign against the party, the Tver climate is much more favorable for the activities of the RNE. According to *Tverskaya zhizn*, the organization has been able to recruit many followers among those put out of work by the August crisis. People wearing black and the emblem of the RNE legally distribute the organization's literature on downtown streets. The Oblast Department of Justice registered the local branch in 1995 and reregistered it in 1998 (*Veche Tveri*, 1 June).

The movement began to rapidly expand following its reregistration. In 1998, RNE activists began to take tens of thousands of RNE flyers from downtown Tver to the outlying areas and sought to create new party branches. Local organizations have been created in Kashina, Rzhev, Bologii, Belii, Nelidov, Vyshnii Volochok, Kuvshinov, Kimri, and Torzhok. Residents of Rzhev, including the local World War II veterans, have given RNE a particularly warm welcome. The organization claims thousands of members in Tver.

The conference brought together 152 supporters of Aleksandr Barkashov's movement from 18 raions of Tver Oblast, including several young women (*Tverskie gubernskie novosti*, 2-8 June). The delegates filed out of buses into the Vulkan movie theater, where they listened to presentations about the party platform and discussions in complete silence, observing party discipline. The RNE leaders said that they would run candidates for the State Duma through two unnamed allies and were backing the candidacy of Sergei Svetlichnyi for Tver governor.

The event gained national significance when NTV broadcast a report about it. The local media actively discussed how such a meeting could have happened in a region where Governor Vladimir Platov supports the liberal Pravoe delo and First Deputy Governor Viktor Opekunov heads the local chapter of Luzhkov's Otechestvo. Platov blamed the conference on Tver Mayor Aleksandr Belousov, accusing him of not knowing in advance that the gathering would take place. However, it is unlikely that the governor's staff did not know what was going on since it prides itself in fighting the RNE.

Ultimately, the oblast procurator did not find any legal violations in the RNE's literature, despite the governor's complaint.

The local press has speculated that Mayor Belousov, who will compete in the upcoming gubernatorial elections, is apparently willing to work with both the Communists and the RNE. Otechestvo's failure to denounce the conference also might suggest that the organization may be open to an alliance at the local level. - Boris Goubman in Tver

PRO-TITOV MEDIA BACKS EFFORT TO REMOVE SAMARA MAYOR. On 1 June City Duma Deputy Alla Demina accused Samara Mayor Georgii Limanskii and his deputy of corruption and announced that she was collecting signatures to support his removal. The media controlled by Governor Konstantin Titov immediately supported the effort. However, the campaign is little more than a propaganda effort since there is no legal mechanism for removing the mayor.

Demina charged that Limanskii gave Svyazinform, the local telecommunications provider, 12 million rubles to provide telephones for invalids, but the money in fact went to other, unknown purposes. She also charged that the mayor was going to use state funds to support the campaigns of some State Duma candidates. She claimed that the mayor had charged several businesses 20,000 rubles to raise these funds.

Demina has long been an opponent of the mayor, but this campaign began after Limanskii ruined her career plans. He restructured the Mother and Child rehabilitation center, of which she had been in charge, placing it under different leadership.

The pro-Titov media quickly rallied around Demina's charges, particularly Samara Television and *Volzhskaya kommuna*. However, neither Governor Titov nor his deputies have commented publicly. Nevertheless, it is well known that Titov did not support Limanskii's election. Limanskii, who is the coordinator of Krasnoyarsk Governor Aleksandr Lebed's party in the Volga region, could become a member of the State Duma if the party wins representation there. - Andrei Perla in Samara

KALININGRAD'S BLACK HOLE DEEPENS. The 23 April *Izvestiya* article "Kaliningrad's Black Hole" by Igor Korolkov, which accused Kaliningrad Governor Leonid Gorbenko and former Vice-Governor and Director of the Regional Fund for Oblast Development Mikhail Karetnii of corruption, and was reprinted in several local newspapers, is continuing to cause fallout in the oblast (see *EWI Russian Regional Report*, 6 May). On 1 June Gorbenko sued the editors of the newspaper *Kaskad*, which had published excerpts of the Korolkov article for insulting his honesty, dignity, and business reputation. Gorbenko demanded 100,000 rubles in compensation for the damage inflicted upon him. It is unclear whether claims will also be filed against *Izvestiya* and the article's author. *Kaskad's* editors feel that the governor has decided to employ any method he can to destroy opposition-minded newspapers in the oblast and bring all local media under his own control.

Karetnii had not been in Kaliningrad for the past three months claiming that he feared to return because he was afraid that he would be arrested. Nevertheless, on 4 June Karetnii was detained by Moscow police and transported to Kaliningrad where he was jailed. He was released the following day after an interrogation by Kaliningrad Procurator Nikolai Vingereter. The Regional Fund for Oblast Development's press

service pointed out that Karetnyi could serve as a witness for allegations against former Russian Deputy Finance Minister Vladimir Petrov's involvement with ROSTRABank. - Yekaterina Vasileva in Kaliningrad

ELECTIONS 1999/2000

OTECHESTVO STRENGTHENS POSITION IN DAGESTAN. Two months have passed since Dagestan registered a regional branch of the Otechestvo political organization on 5 April. However, the organizational success that Otechestvo has managed in this short time span does not necessarily suggest that movement leader Yuri Luzhkov has increased his influence in the republic.

Even though the Dagestan branch of Otechestvo is headed by the rector of the republican pedagogical university Sheikh Ismailov, who until now has been a politically neutral and hardly noticeable figure, more than 40 local branches of the movement have opened, practically in every administrative unit in the republic. Movement members are issuing a political newspaper "Otechestvo," which made its first appearance in April a week after the branch was registered.

Judging by personal conversations with Dagestanis, the majority does not support Luzhkov's political ambitions. Many are not able to forgive the anti-Caucasus conduct of Moscow law-enforcement agencies. Many Dagestanis need to look for work in Moscow, and practically all of them are victimized by the Moscow police, who are particularly insistent on enforcing the law on Moscow residency permits when it comes to people from the Caucasus.

One of Luzhkov's top selling points--his success at managing Moscow--irritates the majority of ordinary Dagestanis. In their opinion, most of the revenue generated from the taxes paid by large enterprises is concentrated in Moscow since companies like Gazprom conduct their activities in the regions but pay taxes in the capital. The general sentiment is that Moscow is robbing the regions. In Dagestan, one of the most economically backward subjects of the federation, this opinion is acquiring a particularly sharp character since the republican press reports that the Russian Ministry of Finance is decreasing transfers, which make up more than 80 percent of Dagestan's budget.

The success of Otechestvo can only be explained by the fact that the republican leadership supports it. The most influential person in the republic, Makhachkala Mayor Said Amirov, led Otechestvo's staff in the recent Dagestani republican elections. In spite of the fact that Dagestani leaders State Council Chairman Magomedali Magomedov and People's Assembly Chairman Mukhu Aliev have greatly emphasized their loyalty to President Yeltsin in the Federation Council, it is possible to forecast with a great deal of certainty that the republic will support Luzhkov in the coming parliamentary and presidential elections. The experience of recent local parliamentary elections confirmed the long established saying, "how people vote is less important than who counts the ballots." - Nabi Abdullaev in Makhachkala

PENSIONERS' PARTY OPENS BRANCH IN STAVROPOL. Sergei Atroshenko's Pensioners' Party held a conference in Stavropol in late May, declaring "We are people," *Stavropolskaya pravda* reported 22 May. The party was founded in November 1997 as a non-partisan organization. However, after the State Duma sequestered 40 million rubles

that had been earmarked for indexing pensions, the party entered the political fray. The party hopes to stop the "genocide of senior citizens, which is taking place in our country," Atroshenko said. The party's main goal is to recruit a million members by November 1999. After several months of work the party has attracted 6,000 members in Stavropol, a relatively rapid expansion for the North Caucasus region. The party tries to distinguish itself by practical work. It has planted 12,000 trees near the city of Mineralnie vody and plans to clean the Podkumok riverbed. The party hopes to cross the five-percent threshold in the 1999 State Duma elections, but it does not plan to form any alliances with other parties.

Atroshenko is a Tyumen Oblast businessman and the leader of the Tyumen-2000 political organization who ran for governor in that region's 1997 gubernatorial elections. He lost that race in the gas and oil-rich oblast to incumbent Leonid Roketskii, trailing 33-59 percent in the runoff. At the time, *Izvestiya* charged that Atroshenko entered the race to secure ill-gotten gains from his bank Tyumenskii Kredit (*Russian Regional Report*, 15 January 1997). Among his campaign stunts was flying an entire plane-load of pensioners to the United Arab Emirates. He also ordered a special edition of NTV's Kukli, the popular satirical puppet show, in which the Aleksandr Lebed puppet embraced the Atroshenko puppet. He claims to have invested more in the city's social infrastructure than the city government when he was at the bank. At that time, Atroshenko said he would compete in the region's next gubernatorial election (see *EWI Russian Regional Report*, 24 April 1997).

The Pensioners' Party was founded on the basis of Tyumen-2000. The party claims branches in more than half of Russia's regions and hopes to tap into Russia's elderly vote. Party literature claims that there are 38 million pensioners in Russia and they make up almost half of the voting electorate. The party seeks compensation for deposits lost during the reforms of Yegor Gaidar, "pensions commensurate with lifetime work contributions to the Russian state," housing and utility benefits, healthcare services, and an end to age discrimination. In May, the party sought support in the US in a trip organized by the Strategy XXI Group, a New York public affairs firm. - Kharon Deniev in Stavropol and Robert Orttung

POLITICAL ECONOMY

INVESTORS, GOVERNOR BATTLE OVER YAROSLAVL TIRE FACTORY. On 30 April, the supervisory council of the profitable Yaroslavl Tire Factory fired General Director Nikolai Tonkov and appointed Sergei Ignatev, vice president of the Rosshin group, as the new director. Then, in a compromise agreement, Tonkov was allowed to keep his job until a 26 June shareholders' meeting, but his freedom of action was greatly constrained by the appointment of three additional deputies. The dispute has angered the Russian government, the Yaroslavl Oblast administration and the workers at the factory.

Yaroslavl Governor Anatolii Lisitsyn said that the attempt to remove Tonkov was the result of the expansion of western creditors against the state. Tonkov was fired after a 51 percent stake in the factory was sold to foreign companies: from Rosshin, the original owner, to Yukos, and then to Frost Impex Inc. and Wolton Oil Limited, two off-shore firms which are using an association with Gazprom as a front (see *Nezavisimaya gazeta* on 22 May). Lisitsyn charged that the new owners are not interested in the development

of the Yaroslavl Tire Factory and paying taxes, but in their own dividends, *Zolotoe koltso* reported 8 May.

In his support for Tonkov, the governor was even willing to declare war on Gazprom. The oblast's tax service declared the factory bankrupt in April, apparently in an attempt to grab control of the company for the regional government. The governor also warned that if the bankruptcy procedure did not work, he would resort to deprivatization.

The Yaroslavl Tire Factory is a leader in the Russia tire sector and even during the post-August economic crisis managed to maintain its production and increase profit (see *EWI Russian Regional Investor*, 11 March). Many connect the success of the factory with Tonkov, who in contrast to previous directors, reinvested much of the plant's profit into developing production, paying taxes, and increasing the pay of his employees. Several of the shareholders did not like these actions because they reduced their dividends. In an interview on 14 May, Tonkov charged that he was sacked to serve the interests of the shareholders rather than the factory itself.

Nezavisimaya gazeta claimed that the close ties between the governor and Tonkov are the result of Tonkov's wealth and his willingness to use this money to support the governor. Gubernatorial elections in the region are set for December 1999. - Ilya Kravchenko in Yaroslavl

KRASNOYARSK ALUMINUM FACTORY HOLDS SHAREHOLDERS' MEETING. Chairman of the Board of the Krasnoyarsk Aluminum Factory (KrAZ) Anatolii Bykov was reelected to this position at the shareholders' meeting of the factory on 6 June. Bykov, who owns 10 percent of the factory, has been in Austria since the Ministry of Internal Affairs filed criminal charges against him. Despite his absence, the director has begun a campaign to win a seat in the State Duma by broadcasting TV commercials glorifying the factory and his own activities.

The Chernye brothers of the Trans World Group, which had once been thrown out of the factory, also significantly increased their influence over the plant (see *EWI Russian Regional Report*, 11 September 1997). David Chernyi, who once worked at the plant and is now a resident of Israel, joined the board. He claimed that there were no conflicts among the shareholders.

KrAZ is extremely important for the economy of Krasnoyarsk Krai and Russia as a whole. It produces 800,000 tons of metal a year, with an annual profit of \$1 billion.

Governor Aleksandr Lebed once again made his anti-Bykov position clear in a television interview when he thanked former Minister of Internal Affairs Sergei Stepashin, the current prime minister, and Deputy Minister of Internal Affairs Vladimir Kolesnikov for opening the case against Bykov. He said that the investigation had already produced legal results and the financial ones would be forthcoming, hinting that he would benefit from the outcome. Bykov replied by broadcasting a highly critical documentary about Lebed's first year in office on a TV station that he controls. - Pavel Avramov in Krasnoyarsk

FOREIGN TIES

SAKHA PARTICIPATES IN NORTHERN FORUM... Sakha (Yakutiya) President Mikhail Nikolaev was reelected chairman of the Northern Forum at its IV General

Assembly in Rovaniemi, Finland on 1 June. Participants in the Forum included delegates from Russia, Japan, Korea, Mongolia, and other countries. Nikolaev stressed the growing interest in cooperation in the Arctic and the North. Regional coordinators have met in Norway, Hokkaido, Alaska, and Canada. The Forum is increasing cooperation with international organizations and leaders of northern countries. The Northern Forum has also sponsored an international conference on the Development of the Arctic Transportation System in the twenty-first Century.

With official accreditation from the UN, the Forum tries to draw attention to the problems of the Arctic. It hopes to improve transportation corridors, tariff-free trade, and increased security through de-militarization, Nikolaev said. The Forum actively discussed ways to raise funding for its activities. - Oleg Yemelyanov in Yakutsk

...AS DOES KOMI. Komi Executive Yurii Spiridonov also participated in the Northern Forum assembly. Finland is an important partner for Komi because the Komi and Finns are ethnically related and both have common interests as northern countries. At the meeting, Spiridonov again raised the question of Komi's participation in the Council of the Barents Euro-Arctic Region. This intergovernmental organization brings together Finland, Sweden, Norway, and Russia. The organization has a regional council which brings together the territories of the Scandinavian countries in the polar circle. The governor of Finnish Lapland, Hannele Pokka, now heads this council and she is actively trying to involve Komi officials and businesspeople in cooperative efforts. Working in the Council would help Komi develop better ties with the Scandinavian countries. Among the questions discussed at the meeting was the construction of a Oulu-Arkhangel'sk-Komi railroad. The participants also discussed a Finnish festival to be held in Komi in 2000. The meeting suggested that both sides are interested in further cooperation. - Yurii Shabaev in Syktyvkar

BURYATIYA'S CUSTOMS AGENCIES FACE CHALLENGES. The August 1998 crisis, compounded by stricter customs regulations, has hit Buryatiya's foreign trade very hard. Indeed, the volume of trade has decreased almost by half (about 47 percent). As before, the republic exports mostly raw materials, like timber and ferrous and non-ferrous scrap metals. It imports food products, industrial equipment, and communications technologies. China and Mongolia are the republic's main partners, although Buryatiya trades with many other countries as well.

The head of Buryatiya's customs agency, Gennady Epifantsev, said at a recent meeting that one of the main challenges facing his staff today is the proliferation of short-lived firms, whose main goal is to siphon precious capital out of the country. Another challenge is the drop in overall revenues from foreign trade. However, despite these difficulties, Buryatiya's customs office managed to collect the planned levels of revenue.

First Deputy Prime Minister Vladimir Agalov emphasized the importance of timber for the republic. Many of Buryatiya's wood exporters try to sell their wood through Chita and Irkutsk in order to avoid Buryatiya's harsher export rules. Some have proposed that the three regions adopt similar export rules to remedy this problem, but an effective policy is yet to appear (see *EWI Russian Regional Report*, 11 February). Additionally, the government has closed down several dealers that used to buy ferrous and non-ferrous scrap metal because the practice had led to high levels of theft.

One of Buryatiya's main priorities today is to create a legislative basis for cross-border trade with Mongolia, and there are even plans to create a joint enterprise to export timber. The BuryatMyasoProm meat processor plans to expand its work with Mongolian meat. Unfortunately during the last several years, illegal drug and weapon smuggling have increased, requiring further cooperation between customs agents and other law enforcement agencies. - Andrei Khodoev in Ulan-Ude

REGIONAL LINKS

World Bank Report on Fiscal Federalism

(<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2100/wps2100-abstract.html>) This site provides the full text of a World Bank report entitled "Decentralization in Regional Fiscal Systems in Russia: Trends and Links to Economic Performance," prepared by Lev Freinkman and Plamen Yossifov in April 1999.

STEPASHIN CABINET: WHO'S WHO

CABINET RETURNS TO TRADITIONAL IN-FIGHTING. Where the cabinet of Prime Minister Yevgenii Primakov had largely been imposed on President Boris Yeltsin by the State Duma, the new cabinet is mainly the result of the battle between the various clans surrounding the president. On one side is the associates of Unifed Energy System Anatolii Chubais. On the other is the "family," which includes daughter Tatyana Dyachenko, Sibneft Oil Company executive Roman Abramovich, who apparently helps manage the Yeltsin family finances, Boris Berezovsky, former Presidential Chief of Staff Valentin Yumashev, and current Chief of Staff Aleksandr Voloshin.

At the top of the cabinet, Chubais was able to name Sergei Stepashin, whom he now touts as a possible presidential candidate, while the main man for the Abramovich/Berezovsky group is Nikolai Aksenenko. Already the tensions between Stepashin and Asenenko are clear, with Aksenenko defined as the main bad guy in the eyes of the liberal press (*Vremya MN*, 26 May). The dispute seems to be a pure battle for state resources rather than one of ideology or principles.

In the initial battle, the Abramovich/Berezovsky clan seemed to have won, but then Stepashin was able to bring in more of his allies, evening the field a little. Whether by design or not, the feuding cliques return Kremlin politics to the more traditional Yeltsin style under former Prime Minister Viktor Chernomydin. Just how powerful Berezovsky, Abramovich, and Chubais really are is unknown and is probably somewhat overstated.

The main changes are in economic policy-making. In particular, the leftist First Deputy Prime Minister Yuri Maslyukov and Deputy Prime Minister Gennadii Kulik are now gone. Other important posts such as foreign policy and defense, however, remain in the same hands.

***** To view this cabinet listing on the web, please see:
<http://www.iewe.org/RRRabout.nsf/pages/cabinet+page> *****

Prime Minister

Sergei Vadimovich STEPASHIN, 47

President Yeltsin appointed Stepashin Prime Minister on 19 May 1999. The president did not like the increasing popularity and independent power of Yevgenii Primakov and replaced him with the more loyal and dependent Stepashin. Unified Energy System Chairman Anatolii Chubais claimed that he had recommended the appointment of Stepashin with an eye to his becoming the next president (*Financial Times*, 31 May). Stepashin's authority was considerably reduced during the messy struggle to appoint the rest of the cabinet when it became clear that Yeltsin's "family" (daughter Tatyana Dyachenko, Sibneft Oil Company executive Roman Abramovich, who apparently helps manage the Yeltsin family finances, Boris Berezovsky, former Presidential Chief of Staff Valentin Yumashev, and current Chief of Staff Aleksandr Voloshin) were calling many of the shots. The refusal of Duma Committee on the Budget, Taxes, Banks, and Finances Aleksandr Zhukov to accept a position in the government and the resignation of Mikhail Zadornov were real blows to Stepashin.

Despite the political infighting, Stepashin's background in Russia's power ministries (the police and secret services) give him a strong power base, as long as he retains the support of Yeltsin. On coming to power, he said that he would personally concentrate on regions, the Ministry of Finance, and the power ministries. As in the last cabinet, the leaders of the eight interregional associations will participate in the cabinet.

Stepashin was born in 1952 in Port Arthur, and was educated in ideology at the Political School of the Soviet Ministry of the Interior, where he eventually worked as an instructor. Stepashin became the director of the Federal Security Service in 1994. However, he lost this position in June 1995, when, as one of the strongest supporters of military intervention in Chechnya, he took part of the blame for this policy's failure, particularly the botched hostage rescue operation in Budennovsk. Despite his association with the unpopular war, Yeltsin returned him to power as justice minister in July 1997. Yeltsin then appointed him minister of internal affairs on 24 April 1998.

First Deputy Prime Minister

Nikolai Emel'yanovich AKSENENKO, 50

Aksenenko was plucked from obscurity and placed in the cabinet by Yeltsin's "family" as the "first" first deputy prime minister, and was supposed to take control of all economic policy. He will sit in for Stepashin during his absences and head the important Commission on Operational Issues. However, his unrestricted power is now being whittled away by Stepashin and the "second first deputy" Viktor Khristenko. For example, Stepashin took control of the important Finance Ministry, denying it to Aksenenko.

Immediately after his appointment, Aksenenko declared that "I want to be involved in everything" (*The Russia Journal*, 24 May). However, according to Stepashin, Aksenenko is now in charge of the "real economy," which includes the natural monopolies. Stepashin

has made clear that he will work with the team of "Zadornov, Khristenko, Kasyanov," but excluding Aksenenko. Yuzhanov is also considered in the group. The battle for influence between Stepashin and Aksenenko is comparable to 1994 when First Deputy Prime Minister Oleg Soskovets was considered more influential than then-Prime Minister Viktor Chernomyrdin.

The Russian press has charged that when Aksenenko was in charge of the powerful Ministry of Railroads, one of Russia's natural monopolies, he gave inappropriate benefits to shady companies like Transrail and Evrosib (*Vremya MN*, 31 May and *Moscow Times*, 26 May). The Accounting Chamber has charged that 19 percent of 100 billion ruble budget went for unbudgeted expenditures. Much of this money went to private companies that made money from the railroads while the ministry continued to lose money.

In his new position, Aksenenko has called for returning the military industrial complex to the position it held before the Soviet Union collapsed. He also supports domestic industry and agriculture, and has proposed a special fund to back Russian industry. He also suggested levying an export tax for goods that are being exported from Russia but that are needed on the domestic market.

Aksenenko was born in 1949 in Novosibirsk. He studied railway transport and engineering and was a graduate student at the Economics Academy. Aksenenko's professional career evolved from an entry-level position at the East Siberian Railroads up to minister of railroads, a position to which he was appointed under former Prime Minister Sergei Kirienko and maintained in former Prime Minister Yevgenii Primakov's cabinet.

First Deputy Prime Minister (financial issues, macroeconomics)

Viktor Borisovich KHRISTENKO, 42

Khristenko, as the "second" first deputy prime minister, is in charge of financial and budget policies and macroeconomics. He received this job after Mikhail Zadornov quit the position three days after being appointed to it. Zadornov resigned because Yeltsin would not let him keep control of the Ministry of Finance. Unlike Zadoronov, Khristenko is not likely to serve as an effective counterweight to Aksenenko, according to *Nezavisimaya gazeta* (1 June). His performance as deputy prime minister in the Kirienko government was particularly unpromising. As a result, he may be able to provide little help to Stepashin in his battle with Aksenenko.

Born in 1957 in Chelyabinsk, Khristenko is a trained economist who made a successful teaching career at the Chelyabinsk Polytechnic Institute. In 1990, he became involved in Chelyabinsk city politics and later handled economic problems in the Chelyabinsk Oblast government. In 1997, he briefly served as the president's representative in the region and later that year became deputy finance minister. He served from 24 April to 28 September as deputy prime minister under Kirienko, where he tried to tighten federal fiscal control over the regions, but lost that job when Kirienko was fired. Since then he has served as first deputy finance minister.

Deputy Prime Minister (defense)

Ilya Iosifovich KLEBANOV, 48

In addition to attempting to revive Russia's flagging defense industry, Klebanov handles the work of the Ministry of Atomic Affairs, the State Telecommunications Committee and the Ministry of Science and Technology. He said that he does not deal with Rosvooruzhenie.

Klebanov is considered to be a member of Stepashin's team and has good ties with Chubais, who also began his career in St. Petersburg. Klebanov successfully restructured St. Petersburg's LOMO, which makes precision microscopes and high-speed cameras. This success brought him to Yeltsin's attention and the president praised him in a radio address. He plans to restructure state defense enterprises that receive state orders, reform the military's procurement system, and end the problem of non-payments. As a St. Petersburg deputy governor, he set up a program to allow enterprises to rent out unused space and fire unnecessary staff. He laid off 11,000 employees from LOMO from 1992 to 1997. The *Moscow Times* (1 June) noted that he was a key player in the campaign against Aksenenko.

Despite his successes, *Izvestiya* questioned whether his experience directing St. Petersburg's LOMO is sufficient for handling the entire defense industry. The problems he faces are enormous and funding for addressing most of them are unlikely to be forthcoming.

Klebanov was born in St. Petersburg in 1951. He worked 20 years at the Leningrad Optical Mechanical Association (LOMO), ultimately becoming general director. At the end of 1997, Governor Vladimir Yakovlev appointed him as leader of the St. Petersburg Economics Committee. He also served as St. Petersburg first deputy governor.

Deputy Prime Minister and Minister of Agriculture

Vladimir Nikolaevich SHCHERBAK, 60

Shcherbak worked closely with former Deputy Prime Minister Gennadii Kulik in discussing the provision of humanitarian aid from Europe and the US. Shcherbak also has support from the leftist Agrarian Party in the State Duma.

Shcherbak was born in 1939. He graduated from the Krasnodar Polytechnical Institute and then studied at the CPSU Central Committee of the Academy of General Sciences. He worked in the canning industry for eighteen years before becoming the general director of Krasnodar Canning Industry Association. He had been serving as deputy minister of agriculture since July 1992.

Deputy Prime Minister (social issues)

Valentina Ivanovna MATVIENKO, 50

Matvienko was born in 1949 in Ukraine and graduated from the Leningrad Chemical-Pharmaceutical Institute in 1972. She then studied at the CPSU Central Committee's Academy of General Sciences and completed advanced courses in diplomacy at the Diplomatic Academy of the USSR Ministry of Foreign Affairs. Until 1989 Matvienko worked as deputy chair of the Leningrad City Executive Committee. From 1989-1991 she was the chair of the USSR Supreme Soviet's Committee on Women, Children, and Family Issues. Matvienko moved into diplomatic work in 1991, serving as Ambassador to Malta until 1994. From 1995-1997 she worked as director of the Ministry of Foreign Affairs' liaison department with the Russian parliament, regions, and political organizations. Matvienko was serving as the Russian Ambassador to Greece when appointed Deputy Prime Minister under former Prime Minister Yevgenii Primakov in October 1998.

Minister of Atomic Energy

Yevgenii Olegovich ADAMOV, 60

Born in 1939, Adamov graduated from the Moscow Aviation Institute and later earned a doctorate in technical sciences. He worked for more than 20 years at the Kurchatov Atomic Energy Institute and for twelve years at the Institute of Energy Technologies in Moscow. Adamov is a member of the Russian Academy of Engineering Sciences and the New York Academy of Sciences. He has held the post of Minister of Atomic Energy since March 1998.

Minister of CIS Affairs

Leonid DRACHEVSKII, 57

Drachevskii was born in 1942 and graduated from the Moscow Institute of Chemical Technology in 1966. In 1993 he completed advanced courses in diplomacy at the Diplomatic Academy of the USSR Ministry of Foreign Affairs. In 1992 he began working in the Ministry of Foreign Affairs, serving at the Russian Consulate in Spain. From 1993-1996 he was the director of the CIS Department of the Ministry of Foreign Affairs. Drachevskii was appointed the Russian extraordinary and plenipotentiary ambassador to Poland in November 1996.

Minister of Civil Defense, Emergency Situations and Natural Disasters

Sergei Kuzhugetovich SHOIGU, 44

Shoigu has held this ministerial position since 1994. He was born in 1955 in what is now the Republic of Tyva and pursued a successful career in construction in Krasnoyarsk Krai. In 1990 Shoigu joined the state committee on construction and architecture and in 1991 was appointed head of the State Committee on Emergency Situations. He is won of the most competent and apolitical ministers who seems to survive all cabinet changes.

Minister of Culture

Vladimir Konstantinovich YEGOROV, 50

Yegorov was born in 1947 in Chuvashiya. He graduated in 1971 from Kazan State University, proceeded to earn a doctorate in philosophy and become an academic at the International Academy of Information. In the 1970s and 1980s Yegorov worked actively for the Komsomol, taught at Kazan State University, and served as the head of the Gorky Literary Institute. From 1990-1991 he served as assistant to the USSR president for cultural and religious issues. From 1992-1996 he was the head of the analytical center of the state committee for science and technology and the Ministry of Industry. In November 1996 Yegorov became the director of the Russian State Library, the position he held at the time of his appointment to the Ministry of Culture in October 1998 under former Prime Minister Yevgenii Primakov.

Minister of Defense

Igor Dmitrievich SERGEEV, 61

Sergeev became Minister of Defense in 1997, holding on to this position throughout the subsequent cabinet shake-ups. Yeltsin tends to favor Sergeev because he does not complain about a lack of financial resources for military reform. Born in 1938, Sergeev has led a strong military career, attending two military academies and holding various command positions in the Strategic Rocket Forces, ultimately becoming the chief commander in 1992. Sergeev was the first individual to achieve the rank of marshal in post-Soviet Russia.

Minister of Economics

Andrei Georgievich SHAPOVALYANTS, 47

Shapovalyants is an ally of Chubais, who apparently was slated for dismissal, but managed to hang on to his job. He was born in 1952 in Moscow. In 1974 he graduated from the finance department of the Moscow Institute of the National Economy with a degree in finance and credit, and in 1981 he received his candidate's degree in economics. Shapovalyants worked for the State Planning Committee, Gosplan, for over ten years before joining the USSR Ministry of Economics in 1991. In 1991 Shapovalyants became the Deputy Minister of Economics and Finances of the Russian Federation, and in 1992 became the Deputy Minister of Economics. In 1993 he was named First Deputy Minister of Economics, a position he held until his appointment as Minister of Economics in October 1998 under former Prime Minister Yevgenii Primakov.

Minister of Education

Vladimir Mikhailovich FILIPPOV, 48

For the five years prior to his present appointment, Filippov worked as Rector of the Patrice Lumumba University. Viktor Chernomyrdin invited Filippov to join his government several times, but Filippov always refused. He agreed to join former Prime Minister Yevgenii Primakov's cabinet after intense lobbying by members of higher educational institutions and the Duma. Filippov hopes to maintain free higher education in Russia, partially by making wealthier Russians contribute more.

Filippov earned his degree in mathematics and worked in this field and university administration. In 1986, he worked at the Brussels Free University. He joined the cabinet on 30 September 1998.

Minister of Finance

Mikhail KASYANOV, 41

Kasyanov will carry out negotiations with the London and Paris Clubs, the groups that hold Russia's and the Soviet Union's debts. Mikhail Zadornov, the former Minister of Finance, will lead all negotiations with the IMF and World Bank. First Deputy Finance Minister Aleksei Kudrin will prepare the budget. In particular, Kudrin will try to reduce the state's expenses and use the money more effectively.

Kasyanov was born in 1957 in Solntsevo, Moscow Oblast. He graduated from the Moscow Automobile Institute and then studied at the State Planning Committee's (Gosplan) Higher Economics Program. In 1991 he became the head of the department of foreign economic relations and later, in 1993-1995, the head of the department for foreign credit and debt. Since 1995 he had served as the Deputy Minister of Finance and in December of 1996 was appointed the member of the Intergovernmental Commission on the Council of Europe.

Minister of Foreign Affairs

Igor Sergeevich IVANOV, 53

Igor Ivanov was born in Moscow in 1945 and graduated from the Moscow State Pedagogical Institute of Foreign Languages in 1969. After graduation he worked at IMEMO, joining the Ministry of International Affairs in 1973. Ivanov, who is fluent in both English and Spanish, worked at various positions focusing primarily on Western European affairs, becoming the Soviet Ambassador to Spain in 1991. Ivanov remained in Spain until 1994 when he was named First Deputy Minister of Foreign Affairs. In January 1995 Ivanov was appointed State Secretary and First Deputy Foreign Minister. Ivanov moved into his present position in October 1998 when his predecessor, Yevgenii Primakov, became prime minister.

Minister of Fuel and Energy

Viktor KALYUZHNI, 52

Kalyuzhni is said to be close to Sibneft's Roman Abramovich. In one of his first moves, Kalyuzhni gave Sibneft greater access to Iraqi oil, but *Izvestiya* (28 May), which is 49 percent owned by LUKoil, claimed that this move did not mean he was necessarily under Berezovsky's control since the decision was ultimately made at a higher level. *Izvestiya's* report probably cannot be taken at face value since Kalyuzhni also has close ties to LUKoil, which has been able to work more closely with Berezovsky lately (*Vremya MN*, 26 May). Gazprom head Rem Vyakhirev apparently lost out in the appointment process when he tried to block Kaluzhni's appointment.

In presenting Kalyuzhnii, Aksenenko stressed raising coal production as well as oil and gas production. Kalyuzhnii also pushed for setting up a state oil company to consolidate the government's holdings.

Kalyuzhnii was born in Birsk, Bashkortostan in 1946 and graduated from the oil institute in Ufa in 1970. He worked with Tomsk oil companies for ten years before becoming a local Communist Party boss in Tomsk Oblast. Four years later he returned to his career in the energy industry, joining the Soviet Union's Fuel Ministry. In 1993 he returned to Tomskneft, working his way up to deputy director in the company, before he moved back into government last December as first deputy minister of fuel and energy. Kalyuzhnii does not appear to have strong ties to any particular oil group.

Minister of Health

Currently vacant

Minister of Internal Affairs

Vladimir Borisovich RUSHAILO, 47

The new minister Vladimir Rushailo is considered to be close to Boris Berezovsky because he worked with Berezovsky to free hostages held in Chechnya (NTV, 24 May). He will likely focus much of his attention on the increasingly unstable situation in the north Caucasus.

Vladimir Rushailo was born in 1952 and was educated at the Omsk Higher Police School. Much of Rushailo's professional career has focused on battling organized crime. In February 1993 he became the director of the Regional Administration for Organized Crime for Moscow and in October 1996 Rushailo was transferred to the post of first deputy director of the Chief Administration for Organized Crime. His tenure at this position was short due to personality clashes with then First Deputy Minister of Internal Affairs Valerii Petrov. In May 1998 he was appointed Deputy Minister of Internal Affairs.

Minister of Justice

Pavel Vladimirovich KRASHENINNIKOV, 34

Krasheninikov is another young reformer who joined the cabinet under Sergei Kirienko in April 1998 from the post of Deputy Minister of Justice, which he had held since August 1997. Krasheninikov was born in 1964 in Sverdlovsk Oblast and received a candidate's degree in law at the Sverdlovsk Legal Institute. His legal career included teaching civil law and working as an expert for the Supreme Soviet before moving into the Ministry of Justice.

Minister of Labor and Social Development

Sergei Vyacheslavovich KALASHNIKOV, 47

Born in Kazakhstan in 1951, Kalashnikov attended Leningrad State University and conducted graduate work in psychology. He worked in oil technology for several years before winning election to the State Duma in 1993 and 1995 on Vladimir Zhirinovsky's Liberal Democratic Party of Russia (LDPR) ticket. In 1996 Kalashnikov became the chair of the Duma committee for labor and social policies and chairman of the CIS committee on social policies and human rights. Kalashnikov is the only member of the Liberal Democratic Party in the cabinet. He expressed his support for indexing pensions in November. Kalashnikov was appointed Minister of Labor and Social Development under former Prime Minister Yevgenii Primakov.

Minister of Nationality and Regional Policies

Vyacheslav Aleksandrovich MIKHAILOV, 61

Mikhailov played an active role in the Chechen conflict, serving as Chernomyrdin's ground man pushing for a peaceful settlement to the situation. In November-December 1994, prior to Russia's military invasion, Mikhailov headed a government working committee for conducting negotiations with Chechnya. He handled the first level of talks with Chechnya, which he viewed as a preparation for more senior level negotiations (Carlotta Gall and Thomas de Waal, *Chechnya: Calamity in the Caucasus*, New York University Press, 1998, p. 182). However, the military invasion occurred in place of second level negotiations. Mikhailov also headed the Russian delegation for the 1995 OSCE sanctioned peace talks in Grozny. These negotiations earned Mikhailov's group the reputation as a pragmatic team which sought to outflank the hawks (Gall and de Waal, p. 276). Mikhailov was also instrumental in orchestrating negotiations during spring 1996. Unfortunately, these talks never took place following the death of Chechen leader Dzhokhar Dudaev.

Vyacheslav Mikhailov was born in 1938 in Dubovka, Volgograd Oblast. Educated as a historian, Mikhailov spent the early part of his career teaching history and nationality relations before moving into politics. After working as a teacher for a few years, Mikhailov moved into party work in 1972, where he was active in the Communist Party of Ukraine until moving to Moscow in 1987. His Russian political career has focused primarily on regional and nationality issues. In February 1994 at the recommendation of Ramazan Abdulatipov, he became the deputy minister of nationality affairs and regional policies, and in January 1995 was promoted to first deputy minister. Mikhailov was appointed Minister of Nationality Affairs and Federal Relations in July 1995 to replace Nikolai Yegorov, and again in August 1996 under then Prime Minister Viktor Chernomyrdin. Then, in June 1998 he became First Deputy Secretary of the Security Council.

Minister of Natural Resources

Viktor Petrovich ORLOV, 59

Orlov was born in Krasnoyarsk Krai in 1940. He graduated from Tomsk State University in 1968 and began a career in geology. Orlov worked in geological enterprises in Western Siberia until 1981 when he became the deputy chief of geological management for the

RSFSR Ministry of Geology. He received a graduate degree in 1986 from the USSR Council of Ministers' Academy of the People's Economy and became general director of Central Geology. Since 1990 Orlov has served at various national level posts concerning geology and natural resources. He has served as the Minister of Natural Resources since April 1996.

Minister of Railroads

Vladimir Ivanovich STAROSTENKO, 51

Starostenko was born in 1948 in Novosibirsk Oblast. He received his education in railroads in Tomsk and Novosibirsk. He worked in railroad management in western Siberia from 1970 until his appointment as minister. His career path is similar to Aksenenko's.

Minister of Science and Technology

Mikhail Petrovich KIRPICHNIKOV, 53

Born in Moscow in 1945, Kirpichnikov graduated from the Moscow Physical-Technical Institute in 1969, and then proceeded to obtain a doctorate in biology. He built a career in academia for nearly twenty years before serving as the director of the State Committee for Science and Technology in 1989. Since then, Kirpichnikov has held various high-level government positions on science and technology. He was appointed Minister of Science and Technology in October 1998 under former Prime Minister Yevgenii Primakov.

Minister of State Property

Farit Rafikovich GAZIZULLIN, 52

Gazizullin was born in 1946 in Zelenodolsk, Tatarstan. For nearly twenty years he was involved in local Komsomol and party work, becoming director of the Tatarstan Council of Ministers' department on economics and social development in 1987. In 1989 Gazizullin became the First Deputy Chairman of the State Planning Committee of Tatarstan, and in 1991 he became the First Deputy Prime Minister of Tatarstan and Chairman of the Tatarstan State Committee for Industrial Policies and the Management of State Property. In 1992 Gazizullin moved to federal-level property management, ultimately being named First Deputy Chairman of the State Committee for Managing State Property in 1996. In November 1997 he was named acting Minister of State Property in place of Maksim Boiko, and became Minister of State Property in October 1998.

Minister of Taxes and Collections

Aleksandr Petrovich POCHINOK, 41

Pochinok replaced Gerogii Boos, who was Moscow Mayor Yurii Luzhkov's main ally in the old cabinet. Boos said that he lost his job because of his friendship with Luzhkov. Pochinok is considered close to Chubais. Pochinok has threatened Russia's oil companies

that if they don't pay their taxes he will cut off their ability to export oil. He plans to work with the Ministry of Finance to reduce the overall tax burden on productive enterprises during 2000. He said that there are no plans to increase taxes on alcohol production. *Vremya MN* (27 May) claims that Pochinok is not adept at organizing the work of the people under him and that Boos personally had been carrying out reforms in the ministry and that without him it will be hard to continue them. Boos claimed that he had done a good job as minister, bringing tax collections up to a record 8.3 percent of GDP.

Pochinok was born in Chelyabinsk and has a candidate's degree in economics. After briefly working in a Chelyabinsk economics institute, he served in the Russian Supreme Soviet from 1990-93. He was appointed deputy finance minister in 1993. He served in the State Duma from 1993 to April 1997. From April 1997 to May 1998, he headed the Russian Tax Service. From June 1998 until his appointment, he worked for the staff of the government.

Minister of Trade

Mikhail Yefimovich FRADKOV, 48

Fradkov has been involved in trade for more than 25 years, and has won the praise of reformer Boris Fedorov, who singled him out as one of the best members of the cabinet. He is an active supporter of liberal foreign trade and helped draft Russia's application to the WTO. He has protected domestic industry by fighting protectionist measures adopted by the EU against Russian textile exports (*Vremya MN*, 27 May).

Fradkov was born in Samara in 1950 and graduated from the Moscow Instrument Institute in 1972 and the Academy of Foreign Trade in 1981. Fradkov's professional career has focused on international economic issues, serving in various capacities in the Soviet power structure. In 1992 he began working for the Ministry of Foreign Economic Relations and in April 1997 was appointed Minister. After the dissolution of former Prime Minister Sergei Kirienko's cabinet, this ministry was abolished and replaced by a committee, which Fradkov was appointed to head.

Minister of Transportation

Sergei Ottovich FRANK, 38

Frank was one of the young reformers characteristic of the cabinet of former Prime Minister Sergei Kirienko. He first began working in the Ministry of Transportation in 1995, handling marine transport and eventually becoming deputy minister. Frank was born in Novosibirsk in 1960 and spent his pre-political career in the Far Eastern Shipping Company.

Minister of Anti-Monopoly Policy and Supporting Entrepreneurship

Ilya Arturovich YUZHANOV, 39

Yuzhanov is considered to be a member of Stepashin's team. He has a candidate's degree in economics and taught in Leningrad institutes of higher education from 1982-1990. He

worked in the Lengorispolkom from October 1990 to August 1991 and then in the mayor's office until 1997. In May 1997, he was appointed chairman of a federal land use committee. He served as minister for land policy from 5 May to August 1998 under Kirienko.

Minister without Portfolio

Ramazan Gadzhimuradovich ABDULATIPOV, 52

Abdulatipov was born in 1946 in Dagestan. He studied in the history department of Dagestan University and defended his doctoral dissertation at Leningrad State University. From 1988-1990 Abdulatipov directed the Central Committee department for Interethnic relations, and from 1990-1993 he served as Chair of the Nationalities' Council of the Supreme Soviet. Abdulatipov was elected to the Federation Council in 1993, and in 1995 was elected to the State Duma. In August 1997 he became the Deputy Prime Minister in charge of nationality policy, though he lost this position in the Kirienko cabinet reshuffle. Under Primakov, he served as Minister of Nationality Policies. He apparently will serve as a crisis mediator for ethnic disputes.

Minister - Chief of Staff for the Government

Andrei Grigorevich CHERNENKO, 46

Chernenko is considered to have received the job as chief of staff because of his friendship with Stepashin. He majored in journalism and graduated in 1980 from Moscow State University. He worked in a variety of regional newspapers, ultimately working his way up to *Pravda*. From 1989 to 1993, he worked for the Ministry of Internal Affairs (MVD) and Russian Security Ministry, the KGB successor, heading its public outreach office. In January 1995 he became deputy minister for nationalities and federal relations, becoming minister in March 1996. In September 1997 he became the head of the MVD's press department and then in May 1998, the head of the MVD's personnel department.

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EastWest Institute
Russian Regional Report
Vol. 4, No. 23, 17 June 1999

Russian Cohesion Index: -24 (up 5 this week)

Disintegration.....L.T.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
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+++++ Former Prime Minister Sergei Kirienko's decision to enter the Moscow mayor's race has given him a platform to criticize incumbent Yurii Luzhkov's style of leadership. Although the criticisms are not new, and Kirienko has no chance of winning the elections, such criticisms of Luzhkov have rarely been aired. Whether Kirienko's candidacy is sponsored by the Kremlin or not, the intense criticism will help demonstrate what kind of president Luzhkov would make before June 2000, giving voters a better basis for making their decisions. (+5)

+++++ Several enterprises in Tver have launched a rebellion against the local electricity monopolist, Tverenergo. They are seeking better prices by trying to find new suppliers. The protest could be the beginning of a new trend across the country that could bring down electricity prices and stimulate more domestic production. (+3)

+++++ Moscow politicians and foreign investors are both increasingly recognizing the importance of the Russian regions. The Moscow politicians want more information from the regions so they can win the upcoming parliamentary and presidential elections. Foreign investors, fed up with the chaos at the federal level, are seeking more stable politics at the regional level. (+2)

----- The federal government has again lost its way in dealing with Karachaevo-Cherkesiya. Although the republican court has declared Vladimir Semenov the winner, Moscow has not decided what it will do yet. Admittedly, there are no good options. But as it waits, the situation in the region continues to deteriorate. (-1)

----- The vast majority of news coming out of Russian election campaigns concerns the innovative development of ever-newer techniques for dirty campaigning. The election season is barely underway and scandals abound. Publication of an article linking the ethnic German Sverdlovsk Governor Eduard Rossel to Russia's fascist parties is only the latest example in this on-going trend. (-2)

----- Local government continues to be held hostage by regional governments in numerous republics and oblasts. Regions like Kursk and Voronezh are trying to recreate

the top-down control already in place in republics like Tatarstan, Bashkortostan, and North Osetiya. Prognoses for the future development of local government institutions are bleak. (-2)

TABLE OF CONTENTS

Breaking News

A Weekly Summary of Regional Events

Patterns of Regional Development

Omsk Considers Moving Up Gubernatorial Elections

Press Publishes Scandalous Article on Eve of Sverdlovsk Election

Center-Periphery Relations

Firms Launch Electricity Rebellion in Tver

Elections 1999/2000

Shaimiev Faces Numerous Conundrums in Search for Allies

Kirienko in Arkhangelsk

Political Economy

Volgograd Limits Sale of Scrap Metal

Local Government

Local Government in Trouble in Kursk, Voronezh

Local Government Problems in Komi Remain Unresolved

Advertisements

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BREAKING NEWS

POLITICS

DUMA CONSIDERS WAYS TO SECURE RUSSIA'S TERRITORIAL INTEGRITY. In a new draft of a law on preserving Russia's territorial integrity, the State Duma is considering giving the federal government the right to declare a region "temporarily uncontrollable," thereby allowing it to be isolated from the rest of the country, the journal *Vlast* reported on 15 June. The idea is to use the new provision to give legal status to the situation in Chechnya, allowing the Ministry of Internal Affairs to operate there as it is now, but with legal sanction. However, by unilaterally declaring the region "temporarily uncontrollable," Russia would be violating the Khasavyurt agreement, which postponed the definition of Chechnya's status until at least 2001.

The real danger of the potential law, however, is that it could be used in a variety of numerous other regions as well. If the draft bill is signed into force, any region could be declared "temporarily uncontrollable" if it violates the constitution or federal legislation. Thus, the law could be applied far beyond Chechnya if a regional legislature adopts a law that violated federal legislation or if the governor declares that he will not hand over federal taxes. Numerous regions already are violating federal norms in one form or another. The ultimate adoption of such a bill seems unlikely, especially since, as

North Osetiya President Aleksandr Dzasokhov pointed out, it would never make it through the Federation Council.

KREMLIN BACKS NEW ROSSIYA BLOC AGAINST LUZHKOVA. Given that former Prime Minister Viktor Chernomyrdin's Our Home is Russia is not going to win many votes in the upcoming elections, the presidential staff is trying to create a new bloc to be called Rossiya. The purpose of the bloc is to bring together several of the newly created political organizations on the right and in the regions to oppose Moscow Mayor Yurii Luzhkov's Otechestvo. The presidential administration hopes to co-opt such parties as Pravoe delo (Yegor Gaidar, Boris Nemtsov, and Anatolii Chubais), Vsvya Rossiya (Tatarstan President Mintimier Shaimiev and St. Petersburg Governor Vladimir Yakovlev) and Golos Rossii (Konstantin Titov). Saratov Governor Dmitrii Ayatskov, who is working closely with Our Home is Russia, is serving as one of the main spokesmen for the new organization and has made the case for it on Russian Public Television (12 June). The bloc would presumably have financing from such powerful organizations as Gazprom and Unified Energy System.

SITUATION IN KARACHAEVO-CHERKESIYA REMAINS TENSE. Although the Karachaevo-Cherkesiya Supreme Court has ratified the victory of Vladimir Semenov in the republic's recent presidential elections, the federal authorities have not taken immediate action. On 15 June, they sent a commission headed by First Deputy Minister of the Interior Aleksandr Kolesnikov to investigate the situation in the region. Semenov met with Prime Minister Sergei Stepashin that day to discuss ways of preserving stability. Semenov said that there was no reason to send more troops to the region and that all the demonstrations were stirred up by Cherkesk Mayor Stanislav Derev, who lost the elections, in an attempt to frighten the federal authorities, *Kommersant Daily* reported on 16 June. Derev and his supporters have called for a separation of the Cherkess lands from the republic. Semenov denounced these demands as unconstitutional and threatening the territorial integrity of the Russian Federation.

Semenov charged that Moscow does not understand what is going on in the region. He claimed that Derev and his supporters are seeking to unite the Cherkess people and they needed to control the republican presidency to achieve this goal. Semenov believes that by trying to right the historical injustices done to the Cherkess people, Derev would create new cataclysms. Derev's supporters said that they want the Cherkess lands to be joined to Stavropol Krai while creating an independent Karachai Republic (*Nezavisimaya gazeta*, 16 June).

Semenov warned that the federal government has no idea what to do about the situation in the republic. Whichever side the federal government supports, the other will naturally protest.

ECONOMICS

MAGADAN DECLARED SPECIAL ECONOMIC ZONE. President Yeltsin signed a law declaring Magadan a special economic zone on 7 June. The zone hopes to stimulate business in the region by freeing firms of some federal taxes. Firms still must pay into the Pension Fund and Social Insurance fund. The zone also frees firms from paying profit

taxes for investing in production and the social sphere, and reduces customs duties. The law will be in effect for 15 years. (*Rossiiskaya gazeta*, 7 June)

PATTERNS OF REGIONAL DEVELOPMENT

OMSK CONSIDERS MOVING UP GUBERNATORIAL ELECTIONS. Since the deputies in the Omsk Oblast legislature took office, they have rewritten the electoral laws for almost every elective office in the oblast. They claim that they are simply bringing the laws into line with other legislation or the oblast charter. In reality, the rules are being changed to serve the interests of specific individuals and organizations. For example, the deputies did not include in the new law on gubernatorial elections a provision from the oblast charter preventing the same person from holding the office two terms in a row. They decided that it would simply be easier to change the charter than cross incumbent Governor Leonid Polezhaev.

Another way Polezhaev wants to strengthen his position is to move the elections forward from December 1999 to September. The governor had expected the Legislative Assembly to adopt the necessary legislation for this change on 3 June. When Omskenergo General Director Yevgenii Belov made this proposal at the end of the session that day, however, Speaker Vladimir Varnavskii said that it was too early to raise this issue (*Vash Oreol*, 9-15 June). In his statements to the press after the session, however, Varnavskii indicated that he supported moving the elections up.

Omsk Mayor Valerii Roshchupkin has protested the idea of moving the elections, arguing that the region would be better off by saving money and holding all the elections in December (*Kommercheskie vesti*, 10 June). If the elections are indeed moved up to September, it will repeat the situation of 1995 when the first gubernatorial elections were held. At that time, all opponents to the governor were cast in a particularly difficult situation since they then too had little time to prepare for the voting, *Vash Oreol* commented on 9-15 June. The paper claimed that for this reason, Polezhaev's main opponent then, Viktor Lotkov, lost the elections.

The latest opinion polls in the region show an interesting dynamic that explains Polezhaev's desire to move up the elections. Between November 1998 and March 1999, Governor Polezhaev's rating in terms of job performance fell from 33 to 18 percent. During the same period, Mayor Roshchupkin's rating fell from 36 to 23 percent. However, although none of Roshchupkin's opponents for the mayor's office strengthened their position against him, Roshchupkin's status as a candidate for the governor's office rose. In contrast to Polezhaev's 18 percent support, Roshchupkin rose from 8 to 12 percent support as a candidate for governor. Thus, Mayor Roshchupkin is becoming a stronger competitor as time goes on.

The most likely explanation for Roshchupkin's increasing popularity is the governor's campaign against him. Polezhaev has been waging an informational war through his TV stations, 12 Kanal and Irtysh, and the newspapers *Omskaya pravda* and *Omskii vestnik*. As often happens, the campaign against Roshchupkin has had the opposite effect than intended by its authors and now Omsk residents are getting tired of Polezhaev and seeking someone new. Many are also deciding that they will not participate in the elections. Polezhaev's sense of this backlash partly explains his urgent desire to move up the elections. - Marina Chukhlomina in Omsk

PRESS PUBLISHES SCANDALOUS ARTICLE ON EVE OF SVERDLOVSK ELECTION. Sverdlovsk will hold its gubernatorial elections at the end of August 1999, and although the candidates have not been registered yet, the scandals are already well under way. The publication of an article entitled "Heil, Rossel!" in the *Serovskii rabochii* newspaper (Serov, Sverdlovsk Oblast) was just the latest example. Several days later, the same material, but under a different headline, was published in a series of other cities, including Kamensk-Uralskii, Polevskii and others. The text names Rossel as a "true Aryan." The author of the material remains unknown. However, it has come out that the Our Home - Our City (NDNG) movement, led by Yekaterinburg Mayor Arkadii Chernetskii, financed the publication.

The article claims that the local chapter of Russian National Unity, often described as a "fascist" organization by the Russian press, loves Rossel mainly because he does not like Chernetskii. It also suggests removing the soft sign in the Russian spelling of Rossel's name because of the "strength of his Nordic character." Many local observers believe that the article violates Russia's law outlawing the instigation of ethnic hatreds.

The local media has reported that *Serovskii rabochii* Editor Viktor Girev and NDNG representative Sergei Taushkanov signed a contract to publish the article on 4 May. NDNG asked that the article not be published on the first page and that the paper not use its symbols in the publication. Girev called the article "filth" (*gadost*), but agreed to publish it because he lacked the money to pay his own journalists. NDNG paid 2,000 rubles for the article. In a television interview, Taushkanov did not take responsibility for what happened. He admitted that there were some ethical violations in the publication, but that this did not change the "truth" of the material.

Several Yekaterinburg newspapers have speculated that Chernetskii's staff took these actions without the mayor's knowledge or participation. Nevertheless, the incident will do serious damage to the movement and ultimately may increase the vote for Governor Rossel - Dmitry Strovsky in Yekaterinburg

CENTER-PERIPHERY RELATIONS

FIRMS LAUNCH ELECTRICITY REBELLION IN TVER. It is well known that many industrial enterprises producing goods in Russia suffer from the high cost of electricity, which they must buy from middlemen at the regional level. Often, for a variety of reasons, the middlemen companies have the support of the oblast administration.

Last week, however, two Tver Oblast companies, the Kamvolnyi Combine and the city of Konakovo municipal services provider, launched a rebellion against Tverenergo. They asked the regional energy commission to allow them to begin working with a different electricity provider (*Veche Tveri*, 9 June). The enterprise leaders believe that it will be more profitable for them to work with the Federal Wholesale Electricity Market (FOREM). The enterprises complained that Tverenergo charged prices that made it impossible for them to survive.

Legally, every firm has the right to independently seek out an energy supplier to meet its electricity needs. Thus, both enterprises received the right to work with FOREM. Now the federal authorities have to decide who will supply their electricity.

The enterprises' action clearly sets off warning bells for Tverenergo. It is possible that this first protest action will set off a chain reaction of events in which other enterprises join in the protest. Since conditions on the electricity market are similar throughout the country, such protests could become common in other Russian regions as well. - Boris Goubman in Tver

ELECTIONS 1999/2000

SHAIMIEV FACES NUMEROUS CONUNDRUMS IN SEARCH FOR ALLIES.

The battle for the new State Duma is already well under way and politicians are intensively seeking possible allies, conducting negotiations, and refining their positions. In this regard the actions of Tatarstan President Mintimer Shaimiev, whom the local press has dubbed the informal leader of the Vsyá Rossiya (All Russia) bloc, are typical.

The Duma elections are one of the main questions that Shaimiev discussed in his meeting with Prime Minister Sergei Stepashin. The president of Tatarstan is concerned with Russia's socio-economic situation, which according to the predictions of numerous specialists, could deteriorate during the elections. The situation for the ruling elite is quite alarming. According to Economics Minister Andrei Shapovalyants, the growth in production, which followed the collapse of the ruble, has now petered out (*Rossiiskaya gazeta*, 11 June). The share of citizens with income below the poverty line is now 37 percent, according to official statistics. By the end of the year, the exchange rate could drop from the current 24.5 rubles to the dollar to 32. Such changes could dramatically increase the number of protest voters, threatening the position of those in power.

Thus the current authorities are trying to develop a strong right-wing bloc that can withstand the attack of the left and are seeking as many allies as possible. "There are no authoritative political parties, with the exception of the Communists," Shaimiev said on 10 June at a Moscow press conference. "But if the Communists make up the majority in the new Duma, they will lead society into a dead-end (*Respublika Tatarstan*, 11 June).

Today Shaimiev believes that the most important task is the creation of a mechanism to bring together all the different blocs that have already been created, otherwise many votes will go to waste. None of Russia's numerous parties working alone can form the Duma majority. "Therefore we must work together, and the main thing is that no one gets in our way." This last statement was clearly aimed at the Kremlin, which is now trying to control who is working with whom.

Vsyá Rossiya is holding consultations with other blocs and movements but is obviously having difficulty finding allies. It could work with Our Home is Russia, but it is not clear how useful such an alliance would be with former Prime Minister Viktor Chernomyrdin leading this party. His rating is extremely low. As *Izvestiya's* political observer Vyacheslav Nikonov has pointed out, Chernomyrdin "is still blamed for the negative economic policies of the Yeltsin era" (*Izvestiya*, 8 June).

There are also clear problems in working with Pravoé delo. Shaimiev has said that he supports this movement. "I support them because regardless of whether they cross the 5 percent barrier, the members of Pravoé delo support a moral approach." Here Shaimiev

is clearly playing to one of Pravoje delo's leaders, Anatolii Chubais, the leader of the Unified Energy System, on which the republic is heavily dependent.

There is no reason to consider Pravoje delo a serious ally in the elections because leaders like former Acting Prime Minister Yegor Gaidar and Chubais are widely hated in the country. Since the party is unlikely to win many votes, there is not much sense in working with them. Moreover, many of the ideas of Pravoje delo directly contradict the approach of Shaimiev.

Not all is well with Samara Governor Konstantin Titov's Golos Rossii either. Shaimiev has adopted the position of an "elder brother" to Titov and has begun setting conditions for their cooperation. First, he said that it would be hard to ally with Golos Rossii if it formed an alliance with former Prime Minister Sergei Kirienko's New Force. Secondly, Shaimiev believes that his Vsyia Rossiya is a much stronger organization than Golos Rossii. When a stronger partner unites with a weaker one, it is impossible to speak of an equal union. It remains to be seen how Titov will react to Shaimiev's attitude toward his party.

It is just as difficult to find common ground with Moscow Mayor Yurii Luzhkov's Otechestvo. Luzhkov certainly cannot be happy about the announcement from Kazan that an alliance between Vsyia Rossiya and Otechestvo can only last during the Duma elections, but not for the presidential elections of 2000. Luzhkov is naturally interested in winning the support of the regional leaders for his presidential campaign, but Vsyia Rossiya has not announced its readiness to do this. If Vsyia Rossiya forms an alliance with Otechestvo, it will have trouble working with Golos Rossii because Titov believes that his main enemies are the Communists and Otechestvo. Titov fears that if Luzhkov becomes Russia's next president, it will push the country back many years.

Additionally, the presidents of Tatarstan and Bashkortostan clearly do not like Luzhkov's proposal to divide Russia into 10-12 gubernii. Of course, Luzhkov is not actively discussing this plan now, but he has committed himself to it in the past.

Relations with the Moscow Kremlin create additional difficulties. The president's team is particularly interested in finding out who is setting up ties with Luzhkov. As *Kazanskoe vremya* (10-16 June) pointed out, "in relation to the intended union between Vsyia Rossiya and Otechestvo, the Moscow press reported a characteristic comment from President Yeltsin, 'Shaimiev is working with the wrong people and I will tell him about this.'" Shaimiev could tell Yeltsin that his alliance with Luzhkov will last only for the Duma elections, but it is not clear if Luzhkov would be willing to go along with such a plan. The ultimate shape of the alliances remains unclear. - Midkhat Faroukshine in Kazan

KIRIENKO IN ARKHANGELSK. Former Prime Minister Sergei Kirienko visited Arkhangelsk Oblast on 14-15 June. Although he met with Governor Anatolii Yefremov, he was unlikely to find much support since Yefremov already supports Moscow Mayor Yurii Luzhkov's Otechestvo. In the last week, Kirienko has made clear his plans to oppose Luzhkov in the Moscow mayoral elections now set for December 1999 and has strongly criticized the mayor's policies.

No matter how actively Kirienko campaigns in Arkhangelsk, he will not be a real competitor to Luzhkov at the regional level. Nevertheless, Kirienko continues to wage a fierce struggle. Kirienko described Luzhkov as a model of "administrative

bureaucratism." He claimed that "voters will decide which party to support, my argument with Luzhkov is over the future of Russia." Moreover, Kirienko charged that "the 'Moscow miracle' is based on using resources from all the other regions in the country." Kirienko said that he decided to oppose Luzhkov while he was waging a campaign against the idea of moving the mayoral elections forward from June 2000 to December 1999. He claimed that 70 percent of Muscovites did not support moving the elections. Moreover, he asserted that, "they have poured more dirt on me since I announced that I was running for mayor than during the period after the economic collapse of August 1998. ... When I thought about what I have done, I understood that I have upset the system of transferring power."

Kirienko said that although he is not running for president in 2000, he believes that it is time "not to replace Yeltsin with Luzhkov, Ivanov, or Sidorov, but to replace the entire system of power." Kirienko proposes two ways to weaken the hold of criminals on the Russian economy: the state should pay its citizens for their work and the state should develop a clear policy for fighting crime and financing the law and order agencies.

In addressing Arkhangelsk Oblast's economic problems, Kirienko suggested three ideas for increasing the productivity of the enterprises in Severodvinsk: 1. developing plans for using nuclear waste, 2. working within the program Rosshelf, to better utilize offshore resources, and 3. building civilian ships in the local shipyards. Kirienko welcomed the idea of making Severodvinsk a closed city, which would make it easier for it to receive military orders. However, Kirienko admitted that such a move would not be enough and called for a state program to support the military-industrial complex.

Kirienko said that he believes that Russia does not need to search for a national idea because it already has one. It consists of two elements. The first aspect is to forget about an economic miracle because none is forthcoming. The second is that the interests of the country coincide with the interests of most active part of the population, who should work only for themselves. Then, after 5-7 years, the country will achieve serious economic growth. - Tatyana Barandova in Arkhangelsk

POLITICAL ECONOMY

VOLGOGRAD LIMITS SALE OF SCRAP METAL. On 1 June Volgograd Governor Nikolai Maksyuta shut down the operations of numerous scrap dealers who collect non-ferrous metals from the population. The high price they paid for the metal encouraged many people to remove still-functioning equipment from their enterprises, which have not paid their salaries in a long time. In some cases, thieves or desperate residents removed the safety systems from local railway tracks so they could be sold for scrap. Elsewhere equipment worth millions of rubles was taken from chemical enterprises so that it could be sold for scrap for several thousand rubles. The situation was becoming so extreme that municipal authorities could not mount the copper wires for a new trolleybus line until the very eve of its launch for fear that the wire would be stolen.

Non-ferrous metals were widely used during Soviet time, and are still much cheaper in Russia than in the rest of the world. For this reason it is extremely profitable to export copper and bronze scraps. Many firms that collected the scrap metals do not ask the people who give it to them where they got the metal. Governor Maksyuta pointed out

that some of the firms might have criminal links, although no cases have been filed against such firms in the city. - Ivan Kurilla in Volgograd

LOCAL GOVERNMENT

LOCAL GOVERNMENT IN TROUBLE IN KURSK, VORONEZH. Local government is facing difficult times in Russia. In three republics - Bashkortostan, Tatarstan, and North Osetiya - local government has been virtually abolished. The republican presidents were able to do away with the lower-level democracy by using their privileges as republics. In Tatarstan President Mintimer Shaimiev himself appoints all the heads of cities and raions. Local government there only exists at the village level, as in China (*Itogi*, May 25). Other regions' administrations try to restrict local government in every possible way. Sometimes they do so to ensure their own position in power. The governors of two Central Russian regions - Ivan Shabanov of Voronezh Oblast and Aleksandr Rutskoi of Kursk Oblast - are pursuing exactly that objective.

It would be unconstitutional for Rutskoi simply to order his Oblast Duma, which is generally subservient to him, to adopt a law abolishing local government. So the crafty Rutskoi invented a new and somewhat original way of getting rid of local government. He will hold local referenda in each raion and the residents themselves will decide the fate of local government. Referenda are considered the supreme form of people's will and if the residents vote to abolish local government, it would be much harder to prove such a decision unconstitutional (*Izvestiya*, 21 April).

Shabanov found another way out. In the beginning of April he sent out official letters addressed to all the local governments in the Oblast. Shabanov proposed renaming the raion governments to the Soviets of People's Deputies. Since most of the governments' terms expire this December, Shabanov suggested a new electoral system for the raion heads. He suggested that the local legislatures elect them from among their members. Shabanov strongly opposes electing heads of raions through universal suffrage. Shabanov could not just urge the Communist-controlled Oblast Duma to abolish local government since such a reform would prove to be utterly unconstitutional. Thus, the governor asked that the local councils to delegate him the power to nominate candidates to these positions (*Novaya Gazeta v Voronezhe*, 13 April). In a recent press conference Shabanov said that it would be better if all the oblast city mayors were also elected in the same way as the raion heads. The Governor pointed out that as many as half of the Oblast's 32 raions have already amended their charters and agreed to the new electoral system. They also conceded the power of nominating the candidates to the governor (*Bereg*, 30 April).

If Shabanov succeeds in his plan, he will put an end to self-government in Voronezh Oblast, while he gains complete control over the raion heads. Then he might introduce another reform - the creation of an upper-chamber in the oblast legislature. This chamber would consist of the same raion heads he had just appointed and would have the power to elect the governor. Such a system would allow Shabanov to remain governor as long as he wishes. Shabanov will definitely push ahead with this reform, because he is more interested in preserving his power than the legitimacy of his decrees or the legislation adopted by the Oblast Duma. Voronezh Oblast Procurator Aleksandr

Frolov has already protested against twenty-one decrees that were signed by Shabanov last year (*Bereg*, 2 April).

From this perspective, the future of local government and federalism in Russia looks pretty bleak. With virtually no system of checks and balances, a tradition of strong one-man rule and widespread corruption, democracy is definitely trying to grow in hostile territory. - Andrei Muchnik in Voronezh

LOCAL GOVERNMENT PROBLEMS IN KOMI REMAIN UNRESOLVED. The battle over local government that has been waged for the last several years in Komi Republic remains unresolved. The republican law on local government was adopted only in June 1998, three years after the adoption of the federal law. Even then the republican law contradicted the constitution and federal legislation. Accordingly, the republican procurator protested against the law because in his opinion it significantly limited the rights of the republic's residents to form their own local government. The republican Supreme Court supported the procurator. Then the Komi State Council and chief executive Yurii Spiridonov protested the republican court decision to the Russian Supreme Court, but it backed the republican court. However, the decision of the Russian court did not reach the republic for several months, allowing the Komi authorities to hold local elections on 7 February this year on the basis of an essentially incomplete law. On that date, voters elected local councils, which then elected the city and raion mayors.

However, only the Komi Republic chief executive could nominate candidates for the councils to elect as mayors and he nominated only one candidate for each position. As a result, Spiridonov was able, in effect, to appoint the mayors, just as he had initially wanted. However, after these executives were chosen, an official document from the Supreme Court arrived in the republic making clear that the election of the local leaders was carried out in flagrant violation of Russian law.

Nevertheless, the authorities are in no hurry to make a decision about what to do. Moreover, they have sent an appeal to the Russian Constitutional Court asking that it evaluate the constitutionality of the Russian law on local government. The court will likely take up the case in the near future (*Krasnoe znamya*, 4 June). Once the Constitutional Court makes a decision, then the republican authorities will return to this question. At the moment, not only the politicians, but the courts also, are not rushing to make a decision. Given these circumstances, direct-election of the mayors or elections of local legislatures without the interference of the republican administration is not likely for the foreseeable future. - Yurii Shabaev in Syktyvkar

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Matthew Wyman, Keele University in the *The Russian Review*, October 1998

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EastWest Institute
Russian Regional Report
Vol. 4, No. 24, 24 June 1999

Russian Cohesion Index: -24 (no change this week)

Disintegration.....T.....0.....Democratic Federalism
(T = this week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

+++++ Altai Krai parents are concerned about the increasing use of drugs among their children. The problems are immense, but at least the parents, organized into non-governmental organizations, are trying to get law enforcement and healthcare agencies to work together to address the issue. Such a common approach has the greatest chance of succeeding. (+2)

+++++ Rostov Oblast's Yabloko branch has formed an alliance with Sergei Kirienko's Novaya sila. The local Yabloko wants to rebut charges that it is incapable of forming coalitions. Perhaps, the national leadership will learn from the experience of its regional colleagues and give the Russian party system more coherence. (+2)

+++++ Anecdotal evidence from St. Petersburg suggests that the economy is stabilizing and even improving following the economic collapse last August. Since the new year, demand for the services of advertising agencies has increased, though the city continues to face many debts and is far from returning to pre-crisis levels. (+1)

----- Political life in the city on the Neva remains conflictual. Since it lost its status as an Imperial capital, Petersburg has been searching for an identity, be it industrial giant, cultural capital, banking center, or transportation hub. Politicians and the public have not been able to find a common idea, which can unite them. Stressing the city's uniqueness may be the best mobilizational theme. Unfortunately, the celebrations planned around the 300th anniversary of the city founding in 2003 may be coopted by the authorities for political purposes and have little actual meaning to the people. (-1)

----- Primorskii Krai Governor Yevgenii Nazdratenko and opportunistic businessmen are making it hard to do business in Vladivostok. Pitched battles over the leading shipping companies worry concerned citizens that investors will steer clear in the future. Unfortunately, there is no evidence that the people will replace their bankrupt leaders in the December gubernatorial elections. (-2)

----- Kirov Oblast is now the third region to recently introduce price controls on basic commodities. Such administrative measures will likely create local shortages and disrupt

economic ties between regions. If this is a beginning of a new trend, it is bad news for Russian federalism. (-2)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

The Vitality of St. Petersburg

Cultural Capital or Industrial Giant?

Hidden Changes Outweigh More Visible Ones

Patterns of Regional Development

Kirov Authorities Extend Price Controls

Center-Periphery Relations

Ayatskov on Center-Periphery Relations, Rossiya Bloc

Dagestan Seeks More Funds from the Federal Government

Elections 1999/2000

Titov Convinces YUKOS To Reregister Subsidiary in Samara

Rostov's Yabloko Forms Electoral Alliance with New Force

Buryatiya's Electoral Calculus Depends on Skuratov, President

Political Economy

Surgutneftegaz Accused of Provoking Petersburg Gasoline Crisis

Social Issues

Altai Faces Drug Problem

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BREAKING NEWS

POLITICS

BOOS TO HEAD OTECHESTVO CAMPAIGN. Moscow Mayor Yurii Luzhkov named former Tax Minister Georgii Boos to head his campaign staff. Boos was very critical of the work done by the staff so far, saying that if the status quo remained in effect, the party would only win 7-8 percent of the seats in the State Duma. Moscow Deputy Prime Minister Sergei Yastrzhebskii remains in charge of defining the party's public image. (*Izvestiya*, 23 June) Boos will replace Dmitrii Rogozin, the Duma member and leader of the Congress of Russian Communities (KRO), in this work. Rogozin is no longer in the leadership of Otechestvo and announced on 17 June that KRO will no longer work with the organization (*Vremya MN*, 23 July). Rogozin commented that Luzhkov needed to treat his supporters more as partners than subordinates.

MORE DETAILS EMERGE ABOUT ROSSIYA BLOC. The Kremlin's main strategy for the upcoming elections will focus on the Rossiya bloc, which will be led by Prime Minister Sergei Stepashin, *Kommersant Daily* reported on 23 June. The main strategists behind the bloc on the presidential staff are Sergei Zverev, Vladislav Surkov, and Dzhakhan Pollyev. The first two are new to the Kremlin and play the role of crisis managers. Their task is to create a State Duma that is loyal to the president and to limit the number of seats going to the Communists and Otechestvo. Rossiya hopes to bring together many of the existing regional parties that have already been established (see *EWI Russian Regional Report*, 17 June).

In 1996, the Kremlin tried to set up two parties to serve this purpose. Prime Minister Viktor Chernomyrdin's Our Home is Russia won about 10 percent of the vote, a rather weak performance, while the Bloc of Ivan Rybkin did not cross the five-percent barrier.

So far the regional leaders have reacted coldly to the idea of joining the new bloc. Tatarstan President and Vsy Rossiya leader Mintimer Shaimiev was horrified at the Kremlin plan to put him in an alliance with former Prime Minister Sergei Kirienko. Samara Governor and Golos Rossii leader Konstantin Titov is negotiating with both Kirienko and Vsy Rossiya, but also sees himself as potentially forming an alliance with Otechestvo. Other party leaders unanimously agree that the Kremlin's creation is unlikely to go far. (For more information, see Ayatskov's comments in this issue.)

ECONOMICS

UNIFIED ENERGY SYSTEM TO CHANGE ITS DECISION-MAKING PROCESS. The Unified Energy System (EES), Russia's electricity monopoly, will consider greatly increasing the role of private investors at its 25 June board meeting. The state owns a 52 percent stake in the firm and until now has been able to rule unilaterally by majority vote. The proposed amendments will require that all major decisions be taken with the support of three-quarters of the shareholders. Among the shareholders pushing for the change are Deutsche Bank and Credit Suisse First Boston. One consequence of the change will make it nearly impossible for the state to remove EES Chairman Anatolii Chubais before his term runs out since he has the support of the western investors. Chubais was elected for a five-year term in 1998. (*Finansovye izvestiya*, 24 June)

There are 30 candidates competing for 15 seats on the board. Among the candidates are Tomsk Governor Viktor Kress, Vologda Governor Vyacheslav Posgalev, Novgorod Governor Mikhail Prusak, and Chairman of the Orel Oblast Council of People's Deputies Nikolai Volodin (*Vremya MN*, 24 June). By law, the four regional leaders will control a third of the votes held by the state, meaning they will have 17 percent of the overall votes. The state is removing Orenburg Governor Vladimir Yelagin, presumably for his opposition to the creation of a state oil company on the basis of ONAKO, the main oil company in Orenburg Oblast, and Moscow Deputy Prime Minister Boris Nikolskii, because of the Kremlin's battle with Mayor Yurii Luzhkov. Of the governors, Prusak is the main ally for Chubais.

THE VITALITY OF ST. PETERSBURG

ST. PETERSBURG: CULTURAL CAPITAL OR INDUSTRIAL GIANT?

by Marina Makova and Robert Orttung

PUSHKIN - On 19-20 June about 40 scholars, politicians, and journalists gathered in St. Petersburg to discuss "The Revitalization of the City of St. Petersburg." The conference was sponsored by the Luxembourg Institute for European and International Studies, the St. Petersburg branch of Strategiya, the Moscow Social Science Foundation, and the St. Petersburg branch of the Open Society Institute.

Among the key problems facing the city noted by the participants are the departure of the city's most talented workers to Moscow, the absence of a clear investment policy, the fact that St. Petersburg donates up to \$1 billion to the federal budget annually, a weak system of local government, and the lack of an idea that can unite the city's residents.

The main question for the participants was defining the city's mission. Should St. Petersburg be a cultural capital or an industrial giant? During the Soviet era when three fourths of Leningrad's enterprises worked for the military-industrial complex, the city was the second largest industrial producer in the country. However, the city's "cultural capital" saved it from the general military-industrial collapse at the beginning of the 1990s. The social mobility of the Petersburg population turned out to be greater than in other regions. Today, in stark contrast to the past, 60 percent of St. Petersburg's overall output is services and only 30 percent is goods. The majority of conference participants agreed that St. Petersburg's industrial future lies mainly with high technology.

Many proud Petersburgers were unhappy that President Yeltsin had dubbed the city the "cultural capital" of Russia because that name quickly was transformed into the "criminal capital," a much less auspicious nickname. Many participants complained that despite the high profile murders that have taken place lately, such as the assassination of City Privatization Chief Mikhail Manevich and State Duma Deputy Galina Starovoitova, the city does not deserve such a reputation.

Even setting aside the question of crime, Viadrina University (Germany) Professor Karl Schlogel argued that Petersburg was far from living up to its potential as a cultural capital. He charged that the city airport looks more like a "tramvai stop," young and middle-class visitors are hard-pressed to find inexpensive hotels, and there are not enough tours displaying the city's literary past or its contemporary life. In short, Petersburg is far from attracting the millions of tourists who are now flocking to Italy or Prague.

The conference participants also discussed the Strategic Plan developed for the city by the Leontiev Center on the basis of a USAID grant (see *EWI Russian Regional Report*, 19 March 1998). Many were critical of the plan because they consider it too amorphous. As the Historian Georgii Vasyutochkin pointed out, the city has always developed not in accordance with the ideas of planners, but essentially in spite of them. Only in the years when the rulers "forgot" about their desire to build paradise in one particular city did creative individuals take over city-planning decisions. As a result, by worrying about their current needs, builders were able to pass on to their descendants a city all can like.

Discussions also examined the question of St. Petersburg's identity. Presidential Representative to St. Petersburg Sergei Tsypliyev advocated unifying St. Petersburg with Leningrad Oblast since the merger would allow the city to control the entire Baltic shore and end the battle between the city and oblast for tax revenue. Others, such as Strategiya Executive Director Mikhail Gornii, laid out a number of scenarios ranging from uniting St. Petersburg with Leningrad Oblast, through making the city the capital of the entire North West region, to expanding St. Petersburg's influence throughout the Baltic countries and into parts of Scandinavia. While there is no serious popular support for separatism in the city, the local intelligentsia's ideas about the city range far beyond its current borders.

As for a unifying idea, some, such as representatives of the Open Society Institute, hope to use the upcoming celebration of the 300th anniversary of St. Petersburg's founding in 2003 as an event that will bring together the entire population. However, journalists from the independent *Chas pik* warned that the event would be more important for bureaucrats than the population in general.

Observers often note the great difference between the dynamic vitality of the new Moscow and the less notable changes in St. Petersburg. Although Mayor Anatolii Sobchak and Governor Vladimir Yakovlev have not transformed their city as Moscow Mayor Yurii Luzhkov has, city advocates stress that St. Petersburg is much more democratic than the capital. Unlike in Moscow, it is possible to criticize the chief of the local administration without being sued. However, despite this freedom, Petersburg lacks a real voice since independent newspapers like *Chas pik* and the English-language *St. Petersburg Times*, a favorite of the city's university students, have relatively small print-runs in a city of 5 million.

ST. PETERSBURG: HIDDEN CHANGES OUTWEIGH MORE VISIBLE ONES.

A tour of St. Petersburg today shows that the outward appearance of the city has changed little in the last 10 years. Of course there are more Western stores and restaurants, particularly fast food, but few of the buildings have been restored. In contrast to Prague and Moscow, where change is much more apparent, Petersburg, the former imperial capital, retains its faded grandeur.

If Luzhkov rebuilt the Christ the Savior Church as a grand symbol of his policy, St. Petersburg Governor Vladimir Yakovlev is investing much of his capital in a brand new hockey stadium in anticipation of the world hockey championship, which will take place in the city next year. In what was once a vacant field, during the last month the skeleton of the stadium has quickly taken shape and work is pushing ahead at a quick tempo. People who live nearby are happy because the new stadium means that the local administration is fixing all the roads in the area. Huge cranes are also building several new apartment buildings nearby, making this section of eastern St. Petersburg look a little like post-unification Berlin, where construction cranes continue to fill the sky.

Unlike Berlin, however, the development of this small part of St. Petersburg is unique and there is not as much growth elsewhere. Many criticize Yakovlev for spending much of the city's riches on the stadium project when other needs are also pressing. Yakovlev is undoubtedly thinking that the stadium will give him a boost in next year's gubernatorial elections, when he will seek a second term. Local sociologists say that he has strong support among the population, but not among the city's organized political

parties. His former allies in Yabloko, for example, are now working against him. As a result, he has recently begun working with regionally-based parties like Vsyaya Rossiya to gain allies beyond the city. Clearly, however, if there are more accidents like the one last week when the entrance of a local metro station collapsed killing seven people, Yakovlev's ratings will plummet.

Conflict between the executive and legislative branches of government remains as intense as it was during the Sobchak era. Six months after the December 1998 elections to the city's Legislative Assembly, the body has yet to elect a speaker and other key leadership posts. In the latest attempt last week, the most popular leadership bloc won only 21 votes, five short of the 26 needed for victory. Local observers blame the difficulties on the intrigues of Yakovlev who does not want a competitor for power in town. They also claim, however, that despite its inability to elect a leader, the body is actually adopting legislation in a professional manner. As usual, nothing is as it seems at first glance.

Local business people say that the city economy is on the rebound, but has a long way to go before it returns to the levels that it had reached before the beginning of the crisis last August. After the August crisis, demand for the services of the city's advertising agencies plunged, a reflection of the city's overall economic health. Since New Year's, however, it began to pick up again. Importers of home improvement supplies are also doing excellent business. Of course while it is possible to find some bright spots, the city itself is in a difficult financial situation.

Bread prices in the city are on the rise, dealing a devastating blow to the large number of pensioners among the city population. Many of them survive by renting their small apartments in the city's historic center to visitors for a few dollars a night. For the more wealthy citizens who own their own car, gas prices are also rising. In late April and early May, there was a crisis that caused prices to spike up, forcing motorists to wait in long lines. Rumors had it that the suppliers who control the market had been working together to artificially increase their profits and the authorities are now pressing charges against Surgutneftegaz. However, prices have now dropped, although not to the previous low level, and supplies are plentiful. New, modern gas stations are sprouting up everywhere and competition is creating some downward pressure on prices. - Robert Orttung in St. Petersburg

PATTERNS OF REGIONAL DEVELOPMENT

KIROV AUTHORITIES EXTEND PRICE CONTROLS. On 24 June the Kirov Oblast Duma amended the regional law on price policy, allowing the administration to set prices for 22 types of food products, 3 industrial goods, and 7 services, covering most essential products, utilities, and public transportation. The regulation will let the oblast authorities set the price for the most important goods and set a range within which sellers can increase their prices. For meat and milk, for example, the authorities will set price norms for the raw meat or milk and the price for processing these goods. For some goods, like pasta, they will set prices and limit how much retailers can increase prices.

Kirov is the third region in the country, following Khabarovsk Krai and Tyumen Oblast, to impose price regulations on food, according to Nikolai Garyaev, the chairman of the Kirov Oblast Administration Committee for Price Policy. The authorities consider

the move a step in the direction of creating a socially-oriented price policy. However, for living inexpensively, Kirov citizens have to pay in terms of a deteriorating situation for the region's productive enterprises. The regulated prices also threaten to create shortages of the most essential goods. It is enough to remember the lines for cream that existed last summer.

Beyond basic food products, the price controls also affect rents, heating, hot and cold-water supplies, sewer services, and public transportation. - Marina Bakhtina in Kirov

CENTER-PERIPHERY RELATIONS

AYATSKOV ON CENTER-PERIPHERY RELATIONS, ROSSIYA BLOC.

"Unfortunately, the federal government has no influence on the processes taking place in Saratov Oblast," Saratov Governor Dmitrii Ayatskov said at a press conference on 22 June in Saratov. "It would be better if the federal government had clearer policies on setting tariffs, tax, and the budget. Today, the center only has a weak position on these issues. The beginnings of growth that are visible in several regions, including Saratov Oblast, are largely the work of the oblast's parliament and executive. We have a high level of collecting taxes at all levels of government in the oblast. And, importantly, much of the money collected is real money. The president has given us a lot of power, and we are using it. It is not enough, and we will take more. We are directing our energy not at stirring up conflicts within the oblast, but on resolving economic problems."

In answering a question on how he saw the makeup of the new duma, Ayatskov said, "I would like the Duma elections to be held purely along single-member district lines. We've had enough pigs in a poke. If the elections take place with a mixed system, we will once again have a transitional parliament and lose another four years. The Duma will remain politicized and will back the interests of various parties and movements. Therefore I back the first-past-the-post system. However, I think my proposal will remain a voice in the wilderness and the elections will continue to be held according to party lists. It is possible to unite all of the useful parties in a bloc called "Russia." Not Golos Rossii or Nash Dom-Rossiya [Our Home is Russia], but simply Russia, where the above-named parties could unite as well as all others who care about Russia's future. If that happens, then the current left majority will become the minority." The left is weakening and divided, but that means that Russia has a chance for a democratic majority, he noted, "but to achieve this goal, we must work hard." - Yuliya Yeliseeva in Saratov

DAGESTAN SEEKS MORE FUNDS FROM THE FEDERAL GOVERNMENT. In the run-up to the meeting of the Russian cabinet in Makhachkala on 25 June which will discuss security and socio-economic problems in Dagestan, State Council Chairman Magomedali Magomedov described the situation in the republic to Prime Minister Sergei Stepashin in a Moscow meeting. The most important issue on the agenda is federal debts to the republic and enforcing the payments from the Russian government reserve fund to the republic. According to the Russian budget, 600 million rubles were set aside for depressed republics, and Dagestan was initially supposed to get 70 million of these, but the figure then rose to 200 million. This money is in addition to subsidies (*transferty*) and funds of financial support from the federal programs for the socio-economic development

of Dagestan. Stepashin promised to take into account Magomedov's wishes in preparing the 2000 budget and ordered the finance minister to prepare a schedule for the payments to the republic, a document that will have to gain the support of the State Duma.

Additionally, the Dagestani leader asked for permission to increase the number of republican residents called up for military service who will be able to serve within the republic. Given the increasing number of anti-Russian incidents in the region, this number is likely to rise. Another issue raised was the lack of funds to support the military and police units in the republic. Minister of Internal Affairs Vladimir Rushailo promised to take appropriate measures.

Additionally, the Russian prime minister ordered the preparation of a program to develop television broadcast facilities in the republic. Dagestan is one of two regions that does not have its own broadcast channel and must broadcast local content instead of the national networks. Deputy Prime Minister Valentina Matvienko will prepare the necessary documents to include this line in Russia's 2000 budget. - Eduard Emirov and Nabi Abdulaev in Makhachkala

ELECTIONS 1999/2000

TITOV CONVINCES YUKOS TO REREGISTER SUBSIDIARY IN SAMARA.

Samara Governor Konstantin Titov, who is also the leader of the interregional bloc Golos Rossii, has convinced Mikhail Khodorkovskii to reregister YUKOS-RM, an oil-refining subsidiary of the YUKOS oil company from Moscow to Samara. Local observers see Khodorkovskii's action as a purely political move: on the eve of the State Duma and presidential elections, Khodorkovskii is strengthening the hand of Titov while at the same time weakening Moscow Mayor Yurii Luzhkov. By reregistering the company, YUKOS-RM will now pay taxes to Samara rather than to Moscow. Shortly before Khodorkovskii's move, Siberian Aluminum's Oleg Deripaska, now considered one of the main allies of Titov's Golos Rossii among powerful businessmen, took a similar step.

The reregistration of the YUKOS subsidiary is just part of a large-scale cooperation agreement signed between the oblast authorities and one of Russia's largest oil companies. Interestingly, on his arrival in Samara, Khodorkovskii said that he did not intend to sign any agreements. However, Titov succeeded in forcing the negotiating process along. Journalists were asked to leave the meeting room for two hours and were then invited back to be told that the two sides had reached an agreement.

YUKOS will also work to ensure that Samara Oblast oil producers will continue to draw 8 million tons of crude from the ground each year. To ensure this level of production, the oblast agreed to lighten YUKOS's tax burden. The oblast will also restructure YUKOS's debt. YUKOS will have to pay off most of its 230 million ruble debt by the end of the year. The fines that have accumulated, 280 million rubles, will be paid off by the end of the year. The agreement will remain in effect until YUKOS starts to pay its taxes on time. Khodorkovskii has agreed that he will pay no less than 70 percent in real money.

Another key component of the agreement is that the sides agreed to support a balanced social development program for the region and to create new jobs. Unemployment is as high as 12 percent in several oil-producing cities.

In the deal, Titov dropped the demand that Khodorkovskii give all oil export rights to Samaraneftgaz. Additionally, Titov will now consider YUKOS the main supplier of oil products to the region, which will make it easier for YUKOS to open new gas stations and monitor their activity. - Andrei Perla in Samara

ROSTOV'S YABLOKO FORMS ELECTORAL ALLIANCE WITH NEW FORCE. The Rostov branch of Sergei Kirienko's movement Novaya sila (New Force) has formed an electoral alliance with local chapter of Yabloko. Rostov's Yabloko is not only one of the strongest regional chapters of the national party, but on the regional level it is a formidable political force, capable of competing even with the well-organized Communists. Its leader, Mikhail Yemelyanov, who is a member of the State Duma, came up with the idea to form an alliance with the local members of the New Force movement, which has been on the local political scene for a relatively short time, headed by Yurii Girenko, a well-known political scientist and a publicist. The agreement is a kind of official introduction of Novaya sila to the Rostov Oblast political scene.

Yabloko gains from the unequal partnership because the agreement ostensibly rebuts the many past accusations from right-wing parties that Yabloko is not willing to form alliances with others. During the spring Rostov witnessed an attempt to create a right-of-center party, under the umbrella of the Pravoe delo movement of Yegor Gaidar, Boris Nemtsov and Anatolii Chubais. However, this attempt folded because it failed to attract any significant politicians. The reputation of liberal forces in the region was further undermined by the embarrassing organizational confusion that surrounded the formation of the Pravoe delo chapter. However, the defunct right wing coalition had a reason to chastise Yabloko for splitting the democratic camp. As a preventive measure Yabloko decided to form its own democratic coalition, starting with Novaya sila as the most promising group.

According to the agreement, both sides promise to abstain from mutual criticism during the campaign, to coordinate the nomination of deputies in single-member districts, to jointly back candidates in the future regional and local elections, and provide for general coordination of political activities. Yemelyanov and Girenko have invited other political forces in the oblast to join as well. The Rostov Oblast Yabloko enjoys strong electoral support, as testified by its three deputies in the State Duma, three members of the regional assembly, and seven in the Rostov city дума. Additionally, Yabloko commands a formidable electoral machine. Rostov residents have also shown growing interest in Novaya sila, especially as the public debate between Kirienko and Moscow Mayor Yurii Luzhkov intensifies. Thus, the newly formed coalition could be quite influential and viable. The regional alliance in Rostov, however, does not extend to the national level, where the two movements remain independent actors. - Andrei Miroshnichenko in Rostov

BURYATIYA'S ELECTORAL CALCULUS DEPENDS ON SKURATOV, PRESIDENT. The experience of the State Duma elections in 1993 and 1995 demonstrated that Buryatiya's leadership does not have a coherent strategy for insuring that the republic is well represented in the national parliament. Buryatiya has only one single-member district, and does not benefit from party-list voting, due to the

considerable amount of chance involved in the selection of party members who make it on the lists.

Right now many in the republican leadership are trying to formulate a strategy for ensuring the election of an effective State Duma deputy. They are intrigued by the example of Agin-Buryat Autonomous Okrug, where voters "profitably" elected the famous singer Iosif Kobzon, a businessman with alleged ties to organized crime. There are talks now that Buryatiya should also try to elect a candidate who could help the republic solve its numerous problems. The republican leadership had identified Procurator General Yurii Skuratov as a likely candidate, even before the eruption of the scandal surrounding his sexual misconduct. Since Skuratov's dismissal by President Boris Yeltsin, Buryatiya has been waiting for the conclusion of the standoff between the embattled procurator and the president.

Should Skuratov take up Buryatiya's offer, he would become the leading contender for the December race. Analysts estimate that he is far ahead of his closest competitors in the public opinion polls. The other likely contenders include: Communist Party leader Sergei Budazhapov, Deputy Chairman of the republican parliament Viktor Izmailov, incumbent State Duma Deputy Svetlana Naychukova, and presidential representative in the republic Boris Danilov. Other local figures pop up in public opinion surveys, including Chair of the parliament's Budget Committee Bato Semenov, member of the parliament Bimba Bymbrylov, Procurator Vladimir Markov, and Igor Mikhalyov, who always runs for just about any elected office. It is safe to assume that if Skuratov throws his hat in the ring, half of these contenders would step down.

However, should Skuratov abstain from running in Buryatiya, the upcoming campaign will not have a clear leading figure. As a result, many new names and "dark horse" candidates will enter the race. Among such potential candidates are: Chairman of the Board of Baikal-Bank Anatolii Zhiltsov, General Director of Amta Corporation Sergei Pronin (an "economic leader"), and former State Duma deputy Nikolai Kondakov. Participation of these candidates will inhibit any kind of plausible prediction of the possible outcome. Candidates will have only two or three months to campaign in the run-up to the December elections, in the conditions of Siberian winter. This means that one of the key factors will be which candidate President Leonid Potapov chooses to support. Such high-level backing will imply that heads of local administrations will help the favorite candidate get elected, using their own electoral machines designed to insure their own reelection. So, the main challenge will be for Potapov to choose an appropriate candidate, and he has a tough choice ahead of him. - Andrei Khodoev in Ulan-Ude

POLITICAL ECONOMY

SURGUTNEFTEGAZ ACCUSED OF PROVOKING PETERSBURG GASOLINE CRISIS. St. Petersburg's anti-monopoly agency has accused the Surgutneftegaz oil company of provoking the city's gasoline crisis at the end of April and beginning of May when low octane gasoline disappeared from cities in the north west and gasoline prices jumped two to three times (see *EWI Russian Regional Report*, 6 May 1999). The anti-monopoly agency suspects that a "vertical price agreement" between raw material provider Surgutneftegaz and the Kirishi refinery in Leningrad Oblast may have caused the crisis. According to head of the Ministry for Anti-Monopoly Policies for St.

Petersburg and Leningrad Oblast, Oleg Kolomiichenko, the Surgutneftegaz agreement violates legislation banning monopolist activities. Surgutneftegaz must turn over all materials that might explain the price increases. The St. Petersburg branch of the federal Anti-Monopoly Ministry connected the Kirishi refinery with the crisis in the middle of May. At the same time an analogous affair regarding a "horizontal agreement" involving several city oil companies which deal in gasoline on the wholesale and retail markets was also brought to light.

According to Kolomiishenko, "the initial analysis of the causes and circumstances of the St. Petersburg gasoline crisis suggest the existence of a price agreement or coordinated actions among oil companies." Kolomiichenko said that the regional Ministry for Anti-Monopoly policies would hold a meeting on 28 June, to which representatives from Surgutneftegaz will be invited, to discuss the vertical agreement. Then the horizontal agreement will be investigated. If the existence of such price agreements can be proven, then the guilty parties will have to return all illegal profits to the city. - Marina Makova in St. Petersburg

SOCIAL ISSUES

ALTAI FACES DRUG PROBLEM. Altai Krai, and the regional capital Barnaul in particular, are facing an increasingly large drug problem, both in terms of consumption and distribution. Altai Krai ranks fourth in the country in terms of the number of drugs used, *Verchernii Barnaul* reported on 17 June. According to official statistics, there are 7,000 drug users in the region, 2,300 of whom are minors. The krai's overall population is about 2.7 million. Experts believe that the real number of users is ten times larger than the official statistics suggest. According to the presidential commission, which researched this matter last year, there were 340,000 drug users.

Drug use is widespread in the urban and rural areas of the region and the number of young people using drugs is increasing. In fact, the number of young drug users doubled during the last two years and has increased 22 times over the last 10 years.

To prevent the problem from spreading, parents held a meeting in Barnaul. Also participating were specialists from the krai procurator's office, the Ministry of Internal Affairs, members of the krai administration education committee, health care and social service professionals, as well as several non-governmental organizations dedicated to working against drug use. The meeting adopted a resolution that noted that the most effective measures would be joint actions by the law enforcement agencies and health care officials, but working at the level of families. As a result of the meeting, an inter-agency commission to fight drug use and alcoholism was established. The agency should help coordinate the efforts of the authorities and parent-led social movements to fight the problem. As a next step, the organizers are planning a similar meeting to be held at the krai level in September. - ASI-Altai

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Russian Cohesion Index: -24 (no change this week)

Disintegration.....T.....0.....Democratic Federalism
(T = this week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

+++++ The federal government has adopted a new law regulating center-periphery relations. Hopefully, the law will add greater transparency to the way relations are conducted, improving the overall stability of the federation. (+1)

+++++ Udmurtiya is working closely with the Czech Republic's Skoda to produce cars in the republic. Such projects will help the region reduce its enormous dependence on the defense sector, and if State Council Chairman Aleksandr Volkov's claims are true, make it a donor region. (+1)

+++++ The Komi leadership is taking action now to ensure that the republic's one State Duma electoral district returns an effective advocate for the republic in the legislature's lower house. The failure of such organization in 1995 allowed the position to become heavily politicized. (+1)

----- The federal government has taken over Nizhnii Novgorod's lucrative "oil for pensions" scheme. Such actions may give regions fewer incentives to innovate in the future. (-1)

----- Since Ulyanovsk's revenue is only 30 percent cash, its spending is determined by the kinds of products it receives in the form of barter for tax payments. The result is that the regional legislature has little control over how the region's money is actually spent. Clearly a more soundly functioning economy is a prerequisite for democratic governance. (-1)

----- Omsk has moved up its gubernatorial and mayoral elections from December to September, blaming the problem on the need to better prepare for the winter heating season. Such tricks continue to make a mockery of democratic procedure. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Udmurtiya on the Edge of a New Millennium

Omsk Moves Up Elections

Prusak Makes Case for His Reelection, Advises NDR

Elections 1999/2000

Krasnoyarsk Communist Sees Increasing Influence of Governors

Komi Begins to Prepare for Duma Elections

Center-Periphery Relations

Federal Government Takes Over Lucrative Nizhnii Pension Scheme

Tver Procurator Steps Up Campaign Against Oblast Administration

Political Economy

New Leaders for Tatarstan's Main Enterprises

Ulyanovsk Assembly Rebukes Governor for Not Following Budget

Exclusive Investigative Report

Duma Members Consider Chechen Legal Status

Advertisements

*** New EWJ Book on Eurasian Security***

EWJ Handbook of Russian Regional Executives

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

NEW LAW REGULATES CENTER-PERIPHERY RELATIONS. On 24 June Boris Yeltsin signed a new law "On the principles of dividing power between the Russian Federation government and the regions" (*Rossiiskaya gazeta*, 30 June). The law will go into effect on 30 July. All new federal and regional laws must be adopted in accordance with this law. The federal government must bring all of its laws into accordance with the law during the six months after 30 July, existing treaties and agreements should be reexamined during the next three years, and laws adopted by the regions should be updated within a year. These deadlines are unlikely to be met, given the enormity of the task. During the next six months, for example, the State Duma will mostly be focused on the December elections. The federal government to date has signed treaties with 46 Russian regions.

The law institutionalizes the process of signing power-sharing treaties between the center and the regions, including the procedure of their preparation and the responsibility of both sides (Article 3). All aspects of preparing and concluding such agreements must be done openly. In the past some important details of the power-sharing treaties have been kept secret. Whether this law will end the process of signing secret treaties remains to be seen.

The law also defines a mechanism for resolving disputes (Article 4). Additionally, it requires that all state agencies be funded at appropriate levels so they can carry out their mandates.

RUSSIAN SUPREME COURT CONSIDERING KARACHAEVO-CHERKESIYA ELECTIONS. The Russian Supreme Court will take at least an additional month to determine whether the May elections in Karachaevo-Cherkesiya were valid or not. During that time the apparent winner, Vladimir Semenov, will not be able to take office and acting leader Igor Ivanov will continue to rule. Ivanov was appointed to the post by Moscow when it became apparent that allowing Semenov to take office could destabilize the republic, particularly given the loud protests of the apparent loser Cherkessk Mayor Stanislav Derev. The current situation suits everyone as the constant demonstrations by one side or another in the elections have come to an end and Ivanov has been able to preserve his apolitical image. The Kremlin has already indicated that it does not want the elections to be declared valid. (*Vremya MN*, 30 June)

Additionally, the Russian procurator for the North Caucasus has filed charges against Cherkessk Electoral Commission Chairman Aleksei Gavrilenko for trying to disrupt the conduct of the elections. At 4 am on 16 May, the day of the runoffs, he quit his job just as the polling places were about to open. Eight other members of the commission then quit. Additionally, he shut 38 of the 52 polling places controlled by the commission. Gavrilenko allegedly left his post because he did not like the preliminary results of the absentee balloting. (*Izvestiya*, 30 June) Gavrilenko's apparent actions partially explain the enormous drop in support for Derev between the two rounds of the elections.

TITOV AGAINST SENDING RUSSIAN PEACEKEEPERS TO YUGOSLAVIA. In an advertisement published in *Izvestiya* on 30 June, Samara Oblast Governor Konstantin Titov, the leader of the electoral bloc Golos Rossii, laid out the argument for not sending Russian peacekeepers to Kosovo. The Federation Council had voted on 25 June 126-0, with three abstentions, to support sending the troops. Neither Titov nor Tatarstan President Minitimer Shaimiev, who also opposes the use of the troops voted (*Nezavisimaya gazeta*, 26 June). Titov's decision to oppose the use of the peacekeepers may be partially motivated by his desire to form an alliance with Shaimiev's bloc, Vsyta Rossiya. The rest of the Federation Council members supported the mission largely to avoid a conflict with the president.

Titov argued that Russia is too poor to be able to afford sending the troops. He wrote that it does not make sense to send the troops when many people are not receiving their salaries. The operations are expected to cost about \$70 million. Titov questioned whether Russia should spend this money on itself or the Yugoslavs who are fighting among themselves. He said that sending troops to Yugoslavia only gave the illusion that Russia was still a superpower. In his article, Titov wondered what role the Russian peacekeepers could play and asked whether they would be safe operating in the sectors controlled by NATO's leading members. Titov expressed the hope that many would support him once emotions died down.

Kemerovo Oblast Governor Aman Tuleev, whose region is continually threatened with strikes, ignored the session.

LITHUANIAN PRIME MINISTER SEEKS TO SOLVE PROBLEMS WITH KALININGRAD. Lithuanian Prime Minister Rolandas Paksas is in Moscow this week to sign a number of treaties, including one regulating relations between the Baltic country

and Kaliningrad Oblast. Lithuania wants to sell its agricultural products in Kaliningrad and participate in construction programs there. One problem is that Russian construction companies owe their Lithuanian partners \$30 million. The two sides are negotiating a way for the Russian side to pay by offering shares in Kaliningrad companies. (*Nezavisimaya gazeta*, 29 June).

NEW LEADERSHIP TAKES OVER AT TV TSENTR. Moscow Deputy Prime Minister Sergei Yastrzhembskii was elected chairman of the board of Moscow's TV Tsent replacing Sistema Chairman Vladimir Yevtushenko. Konstantin Likutov will replace Boris Vishnyak as the general director. Yastrzhembskii criticized Vishnyak for failing to turn the broadcaster into a national network, define a better image for the station, and for running up the station's debt load.

ECONOMICS

ALSEM BUYS TROUBLESOME LENINGRAD FACTORY FROM NIMONOR. The British firm Alsem has bought the Vyborg Cellulose and Paper Combine from Nimonor Investments, *Finansovye izvestiya* reported on 29 June. Nimonor bought a 87 percent stake in the firm in November 1997 for \$30 million, but was never able to take possession of the plant because the workers would not let them in the factory gates. The price was considered relatively cheap for the modern plant. The workers struck because they were afraid that the foreign owners would trim the staff. Nimonor won a string of court cases, but the y were never enforced.

The price Alsem paid for the plant has not been made public. The sale was a surprise for the Leningrad Oblast authorities and the striking workers. Alsem owns Volgograd Aluminum and Volkhov Glinozem, although little is known about Alsem itself. The new owners hope to pay off all back wages and begin negotiations with the workers.

PATTERNS OF REGIONAL DEVELOPMENT

UDMURTIYA ON THE EDGE OF A NEW MILLENNIUM. On 25 June Chairman of the Udmurtiya State Council Aleksandr Volkov held a press conference on Moscow to draw attention to his republic. Volkov claimed that Udmurtiya is ranked 36th among Russia's 89 regions in terms of social development and 26th in terms of economic development. The republic houses 30 percent of Russia's chemical weapons. It attracts up to \$60 million a year in foreign investment.

There are essentially three major industries in Udmurtiya: oil, cars, and defense. Taxes from the oil sector make up about 30 percent of the budget. With the recent changes in the federal legislation on production-sharing, Volkov hopes to attract \$200 million worth of investment for the local oil industry.

The automotive sector, which is going through a difficult period, once made up 30 percent of the budget, but only contributes 4 percent since production has dropped from 160,000 cars a year to 10,000. Numerous foreign automakers, such as Ford, Volvo, Renault, Hyundai, and Toyota had considered forming joint ventures, but none were willing to take the risk. At the end of 1998, the republic finally reached an agreement

with Czech carmaker Skoda to produce Felicias and Octavias in the republic. Skoda, which is owned by Volkswagen, will invest 75 percent of the capital. The Skoda plant had similar troubles in 1991 as today's Izhevsk Auto Factory, namely old technology capable only of producing out-of-date cars. Within five years, VW was able to turn Skoda around and now hopes to do the same in Udmurtiya.

In contrast to other automobile assembly projects, all the strategic decisions for this one were made after August 1998 and thus take into account the current conditions of doing business in Russia. Skoda plans to invest \$300 million in the project.

The new joint venture, to be called Skoda-Auto-Udmurtiya will be freed from paying local taxes for five years. The company will soon start importing the necessary equipment for its production lines and Udmurtiya should start assembling its first Skodas by the end of 1999. Volkov said that Prime Minister Sergei Stepashin had told him that he would support the project. Ultimately, the cars will be assembled from 50 percent local content, providing contracts to an additional 10-15 companies, and annual output will reach 80,000 cars a year, creating 13,000 jobs. Volkov claimed that this venture alone would make Udmurtiya a donor region within 3-5 years.

Udmurtiya's industry is the most heavily militarized among Russian regions since 80 percent of its industrial potential is based in the defense sector. However, only 35 percent of these factories are currently functioning. Volkov put much of the blame for the problem on the federal government for a poorly thought-out policy and called on them to decide which factories to close and which to fund more fully. Volkov stressed that the conversion of local defense industries is taking place "without the help of Russia." The region is famous for its production of the Kalashnikov rifle. Soon the producers will replace the Kalashnikov with the Abakan rifle, which is technically more sophisticated than the Kalashnikov, but perhaps is not as simple or reliable.

Volkov claims that he has good relations with the new State Council since 85 of 100 deputies voted for the prime minister he had recommended. (Udmurtiya is the only region of Russia with a traditional parliamentary form of government--both Kareliya and Dagestan have parliamentary systems that encompass non-traditional elements.) Volkov boasted that Moscow Mayor Yurii Luzhkov's Otechestvo was by far the largest faction in the State Council with 44 seats. He stressed that the far right parties were left far behind in the elections, and expressed the hope that they would do worse in future contests. "The future is for those who say that the state should build the economy. The market and the state are compatible, they need each other." Along these lines, he called for the introduction of a state monopoly on alcohol production.

In written comments distributed at the press conference, Volkov stressed that the main question today is for the regional authorities to play a larger role in the management of enterprises. However, this process is very complicated since it is not clear exactly which bureaucracy (the State Property Committee, the Federal Property Fund, or a sectoral ministry) should manage state property. Volkov called for increasing the level of clarity in who manages federal and regional property. Much of the investment is supposed to come from the federal level, but in the last several years the federal government has not met its obligations. Another problem is that all the bank capital is concentrated in Moscow. As a result, regional enterprises often have a difficult time obtaining access to credits.

Volkov claimed that he had reached "consensus" with Izhevsk Mayor Anatolii Saltykov. Nevertheless he called for changing the constitution to make local government directly subordinate to the republican government. He noted that many governors think that the current system, characterized by numerous disputes between governors and mayors, is "depraved and harmful." Udmurtiya was one of the first regions to contest the independence of local government in the courts, and even though the republican government lost to the local governments, Volkov argued that other regions would soon pursue a similar course. - Alexei Pyatkovskii and Robert Orttung in Moscow

OMSK MOVES UP ELECTIONS. The Omsk Legislative Assembly moved the gubernatorial and Omsk mayoral elections from December 1999 to 5 September, STV-3 reported 28 June. Yevgenii Belov said that the oblast had to move the elections up to better prepare heating supplies for the winter. Of course, work preparing for next winter began as soon as spring came to the region. This spring the Pavlodar Oblast (Kazakhstan) authorities forbid the shipment of coal to Russia (*Kommercheskie vesti*, 18 March). As a result, Omsk declared an emergency situation in the region. The authorities were able to solve the problems by writing off some debts. However, now transportation workers are threatening to disrupt the supplies since they are demanding additional pay. Given these enormous difficulties and the importance of the problem of preparing for winter, Belov said it was necessary to move the elections up. - Marina Chukhlomina in Omsk

PRUSAK MAKES CASE FOR HIS REELECTION, ADVISES NDR. Novgorod Governor Mikhail Prusak has gone on the attack to assure his reelection at the elections he had moved up from December to September this year. In an interview with the local newspaper *NV plus* (18 June), he focused on his concrete accomplishments in delivering for his region. He said that work is underway to prepare the region's apartments for winter and that he had reached an agreement with Unified Energy System, Russia's electricity monopoly, to restructure the oblast's debt for its energy use and received a favorable response about building the Krestetskii hydro-electric station. In terms of recent investments, he listed a \$2 million check from the Swedish ambassador to train Novgorod citizens in foreign universities, \$3.5 million from Ericsson in its Novgorod project, and 175 million DM from Dirol. In addressing the social situation, he said that he had agreed with Deputy Prime Minister Valentina Matvienko about paying the salaries and vacation pay of state employees. The federal government will find half of the funds needed, while Novgorod will secure the rest from its own resources. He also promised to provide aid to children at last year's levels. He warned that he would not allow living standards to fall before the elections, thereby encouraging a strong protest vote.

In terms of his role in the December State Duma elections, Prusak said that " ... Our Home is Russia (NDR) needs a clear economic program. We are now working on it. If it is adopted in July, the chances for the movement will grow. Many members of NDR, including me, insist that the program identify clear, concrete priorities for developing the real sector of the economy, while avoiding vague rhetoric about the financial market, saving the Fatherland, and reaffirming our love for the motherland."

In the past, Prusak has said that he does not know any other party in Russia besides the "party of power." Apparently he believes that NDR is the party of power and

that its leader, Viktor Chernomyrdin, is the next president of Russia. - Ivan Novgorodskii in Velikii Novgorod

ELECTIONS 1999/2000

KRASNOYARSK COMMUNIST SEES INCREASING INFLUENCE OF GOVERNORS. *Oleg Pashchenko is a member of the Krasnoyarsk Legislative Assembly and the editor of the pro-Communist Krasnoyarskaya gazeta. Since his election to the krai legislature eighteen months ago, he has become a well-known figure on local television screens. Now he is considered to have a good chance to win a seat in the State Duma.*

Although Pashchenko was elected to the legislature with the backing of the Communist Party (KPRF), he is not formally a member of the party. Observers classify his views as "extreme national-patriotic or imperial." Nevertheless Krasnoyarskaya gazeta is the only opposition newspaper that comes out regularly and has a significant readership.

His main readership is peasants, poorly-educated city workers, and pensioners. The contributors are mostly opposition-minded intellectuals. In the rural parts of the regions, the paper is extremely influential and is often passed from house to house. The paper was critical of both former Governor Valerii Zubov and the current incumbent Aleksandr Lebed.

RRR: What is your view of the situation in the krai and Russia on the eve of the State Duma elections?

Oleg Pashchenko: Tense. Who will do in whom? This will be the last attempt of the Soviet part of the Russian citizenry to change something in the country through electoral means. The hardened nouveau riche and their attendants. ... Today's elite has a Soviet component, but it is losing 1 million people a year, as they die off. ...

RRR: What kind of leaders will come to power?

Pashchenko: Apolitical. The winners will be "people of money," "people of power," and some "popular heroes." The governors will strengthen their role in the elections. In regions which are just staying afloat, the governor will name 6-7 candidates in 6-7 districts and 5 of them will enter the State Duma. In regions where things are really falling apart, the governor's support will mean the defeat of any candidate. In Krasnoyarsk, Lebed will ruin any candidate he supports openly, but those he supports secretly will be victorious. I think that independent candidates will have the best chances. - Pavel Avramov in Krasnoyarsk

KOMI BEGINS TO PREPARE FOR DUMA ELECTIONS. For a long time, Komi Republic had hoped to secure a second State Duma electoral district, but it is now clear that there will only be one district in the republic as was the case in the 1995 elections. Since there will only be one seat, State Council Chariman Vladimir Torlopov warned that "once again we will have problems working with the candidates for this post (*Molodezh severa*, 17 June).

In the 1995 elections, the candidate supported by the republican authorities lost out to Communist Rita Chistokhodova, who became the only Komi representative in the

State Duma. She won because during the campaign she sharply criticized the authorities and accused them of corruption and because she faced two strong candidates who split the rest of the votes. Her two opponents together won far more votes than she did, but taken individually, could not defeat her.

The republican authorities have made clear that this time they want a candidate who "will work for the republic, rather than serve his or her own personal political interests." In other words, they want their own person in the Duma, however, they have yet to name exactly who it will be. If there were two districts, such a candidate would have a greater chance of winning.

Additionally, when they were counting on two districts and taking into account the influence of the Komi national movement, the republican authorities said that one of the members of the State Duma should be an ethnic Komi. Now with only one district and given the ethnic make-up of the republic (58 percent Russian and 26 percent Komi), this will hardly be possible.

Incumbent Chistokhodova has already announced that she will not seek another term. Following that announcement, former Komi resident First Secretary of the Russian Youth Union Central Committee Vera Skorobogatova announced that she will run. Thus, it is clear that the elections are already under way. - Yuri Shabaev in Syktyvkar

CENTER-PERIPHERY RELATIONS

FEDERAL GOVERNMENT TAKES OVER LUCRATIVE NIZHNI PENSION SCHEME. The Nizhnii Novgorod bank Garantiya has announced that it is no longer participating in the "oil for pensions" scheme. The scheme began working in 1995 when the Pension Fund was not receiving enough money and could not make pension payments in Nizhnii Novgorod Oblast. The main debtors to the pension fund were oil companies. Even though they did not make good on their debts, the government did not take any action to make the companies pay. Instead, Garantiya, then headed by Sergei Kirienko (who later became prime minister), took action. Garantiya suggested that the Khanty-Mansii based oil companies deliver oil to the Norski refinery in Kstov in lieu of their debts to the pension fund. The money earned for selling the processed oil products were then transferred to the Nizhnii Novgorod branch of the Pension Fund. In this way, Nizhnii gained access to an additional source of financing for its pensioners and partially solved the problem of supplying raw materials to the Kstov refinery. The drilling companies also benefited because they were able to pay off their debts to the Pension Fund, not with cash, but with oil.

Thanks to this scheme, the oblast was able to catch up on its pension payments by the fall of 1997. The oblast even earned more money than it needed and became a donor to the Pension Fund. Garantiya handled all the pension payments and was able to make transactions within one day.

However, at the end of 1998, the Russian Pension Fund forbade the regions to distribute money they collected for pensions. Now all the money goes directly to Moscow and federal officials decide who gets how much. Thus once again Moscow has intervened in these economic processes and ended an extremely useful pension program. Now the federal authorities are essentially carrying out the same kind of program at the federal level that Nizhnii Novgorod was implementing at the regional level. According to

Garantiya Bank Chairman Viktor Kitaev the new procedure does not slow down the payment of pensions in Nizhnii Novgorod. The Pension Fund is receiving enough money now to make current payments and reduce some of the debts. In Russia overall there is approximately a one month delay in the payment of pensions, and in Nizhnii Novgorod this delay is even shorter. - Yuri Rodygin in Nizhnii Novgorod

TVER PROCURATOR STEPS UP CAMPAIGN AGAINST OBLAST

ADMINISTRATION. The local press has long described the relationship between Governor Vladimir Platov's administration and Oblast Procurator Vladimir Parchevskii as far from harmonious, and often even conflictual. The approach of the gubernatorial elections in December is making the situation even worse. On 22 June, *Tverskaya zhizn* published an interview with Parchevskii under the headline, "A search for wolves is under way in the Tver Oblast administration." The text makes clear that the conflict between the procurator and governor is entering a new stage.

Noting the position of the Russian procurator general, Parchevskii described the necessity of strengthening the battle against corruption within the bureaucracy and noted that Tver was one of three regions with a particularly high level of criminal activity among officials. He pointed to the scandalous cases of Deputy Governor Viktor Volkov, who was recently sentenced to nine years in prison, and the head of the Tver branch of the Russian Department to Combat Organized Crime Yevgenii Poitman, who was given a seven-year term. The next case will likely be against Deputy Governor Ibragim Gulaev, as the investigative work is now coming to an end.

The oblast procurator is now investigating the work of Deputy Governor Valerii Rumyantsev, who handles agricultural issues. The procurator is looking into a deal in which large sums of money were allegedly siphoned off and sent to the USA. Some observers, however, point out that these events took place in 1994, before Rumyantsev was appointed to his current position.

The oblast procurator claims that he has nothing against Platov. However, these trial runs are only harbingers of an intense war of compromising materials to come in the fall. - Boris Goubman in Tver

POLITICAL ECONOMY

NEW LEADERS FOR TATARSTAN'S MAIN ENTERPRISES. Truckmaker KamAZ's shareholders appointed a new board of directors at their 30 June meeting. The current chairman, Tatarstan First Deputy Prime Minister Ravil Muratov, stepped down. His business plan for resolving the crisis at the plant failed to win support from either the republican leadership or KamAZ General Director I. Kostin.

Russian Economics Minister Andrei Shapovalyants will replace Muratov. Both Tatarstan President Mintimer Shaimiev and the main creditors and partners of KamAZ are happy with this choice. The Tatarstani leadership is hoping that if the Russian economics minister takes over the job of chairman of the KamAZ board of directors, he will help mobilize federal resources and support for restructuring KamAZ's debts and resolving other problems facing the company.

Instead of 23 members, there will now be 13 on the new board. Representatives of Russia and Tatarstan will each have five seats. The EBRD will name two members and the American firm KKR, the general partner of KamAZ, will name one member.

The republican oil producer Tatneft now has a new general director and board chairman. Shaimiev would never give these posts to outsiders because Tatneft is closely tied to the interests of his family. The new chairman of the board is Shaimiev's most trusted associate, Tatarstan Prime Minister Rustam Minnekhanov, a close friend of the president's son. He immediately said that the company would increase production from 23 to 30 million tons a year. The higher production figures make clear that the local elite now will live better. - Midkhat Faroukshine in Kazan

ULYANOVSK ASSEMBLY REBUKES GOVERNOR FOR NOT FOLLOWING BUDGET. The Ulyanovsk Assembly has again rebuked Governor Goryachev for making changes in the oblast budget without first obtaining the permission of the regional legislature. Nevertheless, the assembly approved the governor's report on the execution of the oblast budget in 1998 by a vote of 15-4, declaring that the governor spent the oblast money correctly.

The most obvious problem with how the money was spent is the unequal dispersal of funds. The administration spent nothing on some budget lines such as setting up a listing of property holdings, processing forestry products, and benefits for veterans to use the railroads. However, expenses for capital construction in the agriculture sector were 600 percent of the planned level and it is not clear where the additional money went.

Judging by the report, the administration paid increased attention to construction in agriculture, education, and health care. Here expenditures were more than 220 million rubles above the planned levels, making up one tenth of the budget. Housing construction and expenditures for transportation and communications were well below what was budgeted, comprising 14.5 and 1.8 percent of what was planned, respectively. (This year's budget law allows the governor to decide on individual capital investments.)

Ulyanovsk Oblast Financial Department Chairman Anatolii Kryuchkov said that the administration spent so much more on capital construction than planned because it received only 30 percent of its tax revenue in real money. The rest came in the form of cash surrogates, debt cancelling, and barter. The construction industry is one of the few that can work on the basis of debt canceling. Thus, instead of running up more debts, the administration decided to build natural gas pipelines to rural areas in the oblast, install water supply networks, and other social infrastructure.

The report also shows that the administration spent 100 million rubles on buying shares in Aviastar. In this way the oblast administration is putting into practice its plan to increase the role of the state in managing local enterprises by exchanging their tax debts for stock in the companies.

Additionally, the report shows that the oblast received 284 million rubles in federal subsidies, but it does not explain how they were spent. According to the data, the oblast received the money in full even though oblast leaders often complain that Moscow is holding on to the money.

Legislative Assembly member Valerii Kozhevnikov said that the funds spent without the approval of the regional legislature amounted to one third of the budget. He did not claim that the money was spent incorrectly, but argued that it had been spent

illegally since the legislature had not approved the expenditures. The Assembly should have approved the changes before they were implemented.

Communist Deputy Viktor Oskin charged that the report on how budgetary funds were spent was so difficult to understand, that even an economist could not figure out what it really meant. This is "grounds for violations and corruption."

Despite the problems, Budget Commission Chairman Sergei Yermakov said that revenues were more than expected and the budget deficit was only 20 percent. Moreover Deputy Governor Vladimir Gurinovich apologized to the deputies and said that in the future the administration would not spend a ruble without first obtaining the legislature's permission. - Sergei Gogin in Ulyanovsk

EXCLUSIVE INVESTIGATIVE REPORT

DUMA MEMBERS CONSIDER CHECHEN LEGAL STATUS

by Petr Kozma

MOSCOW - On 15 June *Kommersant Vlast* reported that the State Duma would soon consider a bill creating a new legal concept in Russian and international legislation: "temporarily uncontrollable territory" (see *EWI Russian Regional Report*, 17 June). The article did not name the authors of the bill, but the goal of the law was clear: legally attach to Russia such uncontrollable territories as Chechnya and at the same time devised a new way to keep the other 88 governors under control in the future.

In fact, what is really going on is more interesting. Members of the committees that are supposed to deal with these issues, such as the Committee on Nationalities or Committee on Federal Issues and Regional Policy, had never heard of the initiative. In fact, the bill originated in the Committee for Social Organizations and Religious Groups, chaired by Communist Viktor Zorkaltsev. In the State Duma, this committee is considered to be "underground," because few people know about its legislative initiatives. Zorkaltsev rarely appears on television or publishes newspaper articles.

At the moment there is no clear draft of the bill. The text that exists is filled with alternative formulations that are included in bold or italic fonts. The suggestion that the Duma will take up this bill in the near future is greatly exaggerated.

The draft bill notes that Article 4 of the constitution says that the Russian Federation works to protect its unity and territorial integrity. This clause then allegedly provides the basis for creating the concept of "legally uncontrollable territories." This concept then makes clear territories where the Russian constitution or laws cannot be enforced nevertheless remain part of Russia.

Article 6 (9) of the draft bill states that any violation by local legislation of federal laws makes it possible to declare a region a "temporarily uncontrollable territory." Such a declaration allows the imposition of a special regime for the operation of federal, regional, and local authorities, and measures to limit the rights of and freedoms of Russian citizens. Such declarations are temporary and aimed at normalizing the situation. The president would declare a region "temporarily uncontrollable" at the recommendation of the government or Security Council with the immediate approval of the Federation Council or State Duma. Among the measures the federal government can

take to violate the rights of its citizens are imposing financial blockades, forbidding international travel and contacts, blocking railroad lines, limiting the presence of foreigners on this territory.

To restore order in the territory, the bill foresees that creation of a temporary agency, which would have special powers. It would be directly subordinate to the president or prime minister. Article 15 of the draft bill recommends the creation of militarized self-defense units at the discretion of the government.

The appearance of this bill raises a number of questions. First among them is the purpose of the bill. Apparently it was developed to explain legally how Chechnya could be a part of the Russian Federation not under the control of the federal government. In this case, the game is not worth the candle. Foreigners who are ready to recognize Chechnya's independence do not obey Russian laws and the adoption of a new one will not change the situation.

Another question is how to reconcile the concept of a "temporarily uncontrollable region," which is not mentioned in the constitution, with the concept of an "emergency situation (*chrezvychainoe polozhenie*)," which is in the constitution. The constitution gives the Federation Council the decisive role in introducing emergency situations and is the main basis for limiting citizens' rights. It would be extremely dangerous to expand the authorities' ability to limit civil rights. In fact, since the president plays the lead role in declaring a region "temporarily uncontrollable," he could use it to attack the Communist Party. In this sense, the Communist Zorkaltsev is ironically giving the president a new weapon to use against his opponents.

The bill does not mention the concept of "emergency situations." In contrast to emergency situations where the Federation Council is in charge, the president would have control over the "temporary agency" that would try to impose order in the uncontrollable region. Moreover, the government would have control over potential new armed self-defense units which presumably would be used against the regional authorities, who sit in the Federation Council. In this case, it seems that the main purpose of the law is to redistribute power among the branches of the federal government, handing the executive branch power now held by the legislature. In civilized countries, such changes require amending the constitution.

Overall, this bill violates the constitution and seems aimed at giving the president the ability to introduce special legal regimes that allow him to limit civil rights. The Federation Council currently holds this power and will undoubtedly work to ensure that the bill is not adopted.

CORRECTION. Last week's RRR incorrectly reported that Dmitrii Rogozin was in charge of the Otechestvo election campaign before his Congress of Russian Communities left Otechestvo. In fact, the formal head of the campaign team has been Artur Chilingarov, deputy Duma speaker, and most of the real work on this has been done by Yevgeny Savostyanov. The implications of the Boos appointment for Chilingarov and Savostyanov are still unclear, but they may keep their formal posts.

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Matthew Wyman, Keele University in the *The Russian Review*, October 1998

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EastWest Institute
Russian Regional Report
Vol. 4, No. 26, 8 July 1999

Russian Cohesion Index: -24 (no change this week)

Disintegration.....T.....0.....Democratic Federalism
(T = this week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

+++++ The Sakhalin-2 project has produced its first oil, marking the first success of a project working under a production-sharing agreement in Russia. The continued progress of this project could have an enormous impact on the future development of the Far East. (+3)

+++++ Federalism will be one of the key issues in the 1999-2000 elections, with parties like Golos Rossii and Vsyia Rossiya pushing for more decentralization and Otechestvo advocating stronger control from the capital. Putting these issues up for wide debate is healthy and may help generate solutions not currently visible. (+1)

-+--+ Vladimir Shumeiko is continuing a clear trend in which national figures try to advance their careers by securing an important post representing an outlying region that might otherwise be forgotten. The Agin-Buryat Autonomous Okrug has been happy with its Duma member, the famous singer Iosif Kobzon, who has effectively promoted regional concerns. Chukotka, on the other hand, rarely sees its representative, Our Home is Russia organizer Vladimir Babichev. Voters from the Evenk Autonomous Okrug must now decide whether to risk the benefits of working with an outsider. (0)

----- Novgorod Governor Mikhail Prusak has published a book in which he stresses the need for elections to provide equal conditions for all candidates. In practice, however, he has moved his gubernatorial elections up three months, putting him at a distinct advantage over any potential opponents, who would be unlikely to win in any case. Such sharp contrasts between theory and practice only discredit democracy and stimulate cynicism among the voters. (-1)

----- The number of companies registered in Kalmykiya's off-shore zone continues to grow since registration frees firms from regional and local taxes. Regions such as nearby Volgograd Oblast are increasingly angry because the off-shore zone is depriving them of considerable income. Kalmykiya has ignored Constitutional Court rulings to end this practice. Using such off-shore zones to artificially increase a region's income only increases inter-regional tension. (-1)

----- Saratov's attempts to control gasoline prices are having the predictable result of causing shortages and diverting supplies to other regions where prices are higher. Such actions by Russian governors, taken together, could destroy the coherence of the Russian market, leading to further economic decline. (-2)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Federation Council

Federation Council Adopts Stricter Measures on Monetary Transactions

Elections 1999/2000

Bryansk Deputies Use Legislative Recess to Campaign at Home

Novgorod Oblast: Theory and Practice

Prusak Book: Russia on the Threshold - A Strategy for the Authorities

Novgorod Communists Protest Decision to Move Elections

Patterns of Regional Development

Shumeiko Seeks Evenkiya Governor's Post

Foreign Ties

Tatarstan Parliament Against Sending Russian Peacekeepers to Kosovo

Political Economy

Price Controls Create Crisis in Saratov

In-Depth Analysis

Stepashin's Cabinet and the Regions

Special Report

Musa Muradov: Little Progress in Rebuilding Chechnya

Advertisements

*** New EWJ Book on Eurasian Security***

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BREAKING NEWS

POLITICS

FEDERALISM, MARKET REFORMS STRUCTURE ELECTION DEBATE. The main issues in the 1999 State Duma elections will be the nature of Russian federalism and the desirability of market reforms, according to Igor Kharichev, a spokesman for the Golos Rossii movement and the general director of the Center for Applied Electoral Technologies (*Izvestiya*, 6 June). Using these two issues he divides the Russian political space into four quadrants and then places the most active political parties in the different sections. According to this scheme, it is clear that Golos Rossii and Vsyá Rossiya, which support "real federalism" have little in common with Otechestvo, which supports a more unitarian system. Otechestvo is closer to the Communists because it wants to centralize power and is very cautious about giving market mechanisms free reign.

In defining the political space, Kharichev divides the political space into four boxes. Along the vertical axis, he placed "real federalism" at the top and "unitarianism" at the bottom. The horizontal axis runs from "administrative -command ideology" at the left to "market ideology" at the right. In the upper right-hand box (federalism, markets), he places, Golos Rossii, Vsesya Rossiya, Our Home is Russia, Novaya Sila (New Force), Yabloko and Pravoe delo. In the lower right-hand box (markets, unitary state), he places Aleksandr Lebed's Honor and Motherland and the Liberal Democratic Party of Russia. In the lower left-hand box (command ideology, unitary state), he groups Dukhovnoe nasledie (Spiritual Heritage), Otechestvo, the Communist Party of the Russian Federation, and Trudovaya Rossiya.

KALMYKIYA OFF-SHORE ZONE GROWS. The number of Russian firms seeking to avoid paying regional and local taxes by registering in the Kalmykiya off-shore zone has grown dramatically since the zone opened in 1996. That year the zone included 1,018 Russian firms. In 1997, the number grew to 3,961, and topped 5,000 in 1998. The zone has registered firms from more than 50 Russian regions.

Today 433 Volgograd firms are registered in the zone. Volgograd Governor Nikolai Maksyuta complains that as a result the oblast budget did not receive 22 percent of its profit tax, 25 percent of the VAT, and 50 percent of its road taxes. It has also lost substantial sums in local taxes.

Kalmykiya charges each firm 5,000 ECU a year for the right to register in the zone. Although these funds are supposed to be used for social economic development, they go into a special fund controlled by Kalmykiya President Kirsan Ilyumzhinov. Kalmykiya has refused to remove this fee even though the Constitutional Court has declared it illegal. (*Izvestiya*, 6 July)

STEPASHIN MEETS WITH BORDER REGION LEADERS. Prime Minister Sergei Stepashin assembled the leaders of Russia's 36 border regions in the White House for the first time on 6 July. The regions face numerous problems from their geographical location, including flows of contraband, illegal immigration, narcotics, weapons, and economic crimes. The prime minister promised them aid to be delivered beginning in the fall, clearly hoping for support during the upcoming elections. The aid will be in the form of presidential and governmental decrees creating economic free zones and encouraging trade with CIS countries. The prime minister even promised to let the governors name the heads of local governments in border regions.

Stepashin fears that without additional support, the border regions may support extreme Communist or nationalist parties in the elections, *Kommersant Daily* reported 7 July. Interestingly, Vladimir Zhirinovskiy's Liberal Democratic Party of Russia traditionally does well in the border regions, but this party has consistently supported President Yeltsin in the State Duma.

One of the biggest problems in border regions like Primorskiy Krai is that many of the checkpoints have been privatized by local companies who have taken on the job of running them. Of course the "ownership" of the stations is not registered in any official agency (*Izvestiya*, 7 July).

Khabarovsk Governor Viktor Ishaev claimed that a half million Chinese citizens come to his region every year and many of them remain. He warned that if the federal

government authorized foreigners to buy land, they would buy up everything in the krai. He warned that there are already more than one million illegal immigrants in Russia.

YELTSIN CREATES MEDIA MINISTRY. President Boris Yeltsin created a Ministry for the Press, Television and Radio Broadcasting, and Mass Communications on 6 July and named Mikhail Lesin, currently the first deputy chairman of the Russian State Television and Radio Company, as its chairman. The move to central control over the state media is clearly part of the Kremlin's campaign strategy. (*Kommersant Daily*, 7 July)

TULA GOVERNOR SPENDING MONEY WITHOUT LEGISLATIVE OVERSIGHT. Tula Governor Vasilii Starodubtsev is spending money in off-budget funds that are not approved by the regional legislature, *Vremya MN* reported 6 July. Last year the fund contained 8.4 million rubles of new income plus 4.9 million rubles of unspent funds from the previous year. Most of the money comes from traffic tickets and aid from an American company for poor, sick, elderly people. The governor uses the funds to reward various subordinates, support military construction projects, pay for various celebrations, and support the official regional newspaper. Much of the money designated for purposes like preparing for the winter has disappeared without a trace and none of the oblast officials were willing to explain what happened to it.

RIGHT-WING COALITION REMAINS UNFORMED. On 2 July in Salzburg, Pravoe delo's Anatolii Chubais and Boris Nemtsov, Golos Rossii's Konstantin Titov, and Novaya sila's Sergei Kirienko announced their intention to form a right-wing coalition for the December 1999 State Duma elections. However, discussions of such an alliance are premature. Our Home is Russia's Vladimir Ryzhkov had discussed his party's participation, but Viktor Chernomyrdin said on the 4 July Itogi program that the announcement was simply a "declaration of intentions." The leaders of the various parties hope to discuss the details of their alliance by 13 July. Chernomyrdin said that the success of the coalition depends on the Kremlin's attitude toward it. (*Nezavisimaya gazeta*, 6 July)

SHAIMIEV ON ORIGINS OF VSYA ROSSIYA. In an interview with *Nezavisimaya gazeta* (6 July), Tatarstan President Mintimer Shaimiev explained the origin of the regional bloc Vsyia Rossiya. Shaimiev and his colleagues did not join Moscow Mayor Yurii Luzhkov's Otechestvo because they did not want to repeat the experience of the past when many of the members of the State Duma were from Moscow. The regional leaders wanted a greater voice in the lower house of the federal legislature. They did not join Samara Governor Konstantin Titov's Golos Rossii because they did not want to be in a party that was created subordinate to one individual. Shaimiev also felt that many in Titov's organization were working to gain federal office, which he did not like.

Despite these differences, Shaimiev has called on Golos Rossii, Vsyia Rossiya and Otechestvo to unite. He admitted that it would be difficult to unite with Otechestvo, but said that the two organizations would have to work out their differences.

SCANDAL FOLLOWS VSYA ROSSIYA PETERSBURG CONFERENCE. St. Petersburg Legislative Assembly member Aleksandr Shchelkanov has asked the city's procurator to determine if city funds were used to pay for the Vsy Rossiya party congress held in the city on 22 May (see *EWI Russian Regional Report*, 27 May). Governor Vladimir Yakovlev is one of the chief coordinators of the new party. Yakovlev said that the money for the congress did not come from the city budget. The overall cost of the conference is estimated to have been \$150,000. This is not a large sum for St. Petersburg with a \$1 billion budget, and the conference also had deep-pocketed sponsors such as Gazprom and LUKoil. (*Kommersant Daily*, 6 July)

ECONOMICS

SYSUEV TO HELP BUILD ALFA BANK IN THE REGIONS. Former Presidential Deputy Chief of Staff Oleg Sysuev, who resigned following the dismissal of Prime Minister Yevgenii Primakov, will now help Alfa Bank build up its regional network of branches. Sysuev, once the mayor of Samara, handled regional affairs as part of his job in the presidential administration. His ties with the country's governors will be an enormous asset to the bank. One of Alfa Bank's goals is to handle the banking affairs for the regional and local administrations, an extremely lucrative business. Sysuev admitted that in the future, state institutions would take over these responsibilities. While working in the administration, Sysuev supported Pravo delo and his ties with the bank may help this organization now. (*Vremya MN*, 7 July)

SAKHALIN-2 PRODUCES FIRST OIL. Sakhalin-2 produced its first oil on 5 July, marking the first production of oil under a production-sharing agreement. According to such agreements, an investor is freed from some Russian taxes in exchange for giving the government a share of the resources recovered. Sakhalin-2 is run by Sakhalin Energy, which includes Marathon, Mitsui, Shell, and Mitsubishi. Initially, the site will only produce oil during the six months when there is no ice in the region. Tankers will take the oil to Japan, Korea, Taiwan, and possibly China. If all goes well, the investors will construct one or two additional platforms and ship oil year-round through a newly-built 763 km pipeline. The investors also plan to begin producing gas within the next decade. Pursuing such projects could dramatically strengthen the economy of the region.

Although production-sharing legislation was adopted in 1995, only one agreement has been signed taking advantage of it. Sakhalin-3 was approved by the State Duma and Federation Council in April, and signed by President Yeltsin in May (see *EWI Russian Regional Report*, 12 May).

So far the Russian take from Sakhalin-2 has been \$65 million from various bonuses, \$100 million for the Sakhalin development fund, and \$160 million for Russia's geological work on the site. Additionally, Russia will get 6 percent of all oil produced and will take a 32 percent profit tax. (*Finansovye izvestiya*, 6 July)

FEDERATION COUNCIL

FEDERATION COUNCIL ADOPTS STRICTER MEASURES ON MONETARY TRANSACTIONS

by Olga Komarova

MOSCOW - On 25 June the Federation Council adopted a law against laundering income received through illegal means. The Council also ratified provisions to amend the criminal code, tax code, and other legislative acts to incorporate the money laundering law. Contemporary Russia urgently needs these laws since the shadow economy occupies a dangerously large part of all business transactions.

President Yeltsin will veto the bill, *Nezavisimaya gazeta* reported on 2 July. Yeltsin's team believes that the bill would take the country back to the Soviet era when everyone was encouraged to denounce his neighbors to the authorities. Forcing organizations to report their financial activities to the authorities the next day, as the bill stipulates, would cause the state to unconstitutionally intervene in the affairs of private citizens and companies.

The Federation Council has examined this law repeatedly. The senators rejected initial drafts because the definition of "income received through illegal means" was unclear. Many members thought that the definition was unjustifiably wide, encompassing both clearly criminal acts and the typical mistakes of financiers. A conciliatory committee was then formed to develop a better alternative. According to the final draft of the law, "income received through illegal means are things, including money, securities and property, as well as legal deeds or documents that give someone the right to property acquired through socially dangerous, illegal activities (or inaction)."

The members of the parliament's upper chamber are very concerned about the money-laundering problem. In adopting this law the governors made certain that the document could not be implemented retroactively and applied to crimes committed before it was enacted. Tyumen Governor Leonid Roketskii was particularly adamant about this point. He condemned the wish to imprison everyone who traded legally or illegally. Chairman of the Moscow City Duma Vladimir Platonov replied to him, explaining that the law was not intended to "jail everyone," and that the document would go into effect only after it was adopted.

The governors understand that the majority of businessmen acquired their initial capital through means that are not entirely legal. Therefore they did not want to adopt a law that would result in the mass examination and arrest of businessmen. If such a hunt for criminal money were to begin, Russia's 89 regions would suffer first and foremost and many of them might become unstable.

The law provides a whole series of measures for stopping the laundering of "dirty" money, and defines the state agencies responsible for implementing the measures as well as establishing necessary sanctions for violators. Notably, many of these measures already conform to existing practices, but they have not been obligatory since they are based on official instructions and orders.

In particular, the law demands that organizations carrying out financial or property operations register every single transaction equal to or higher than 2,000 minimum wages (for individuals) or 20,000 minimum wages (for organizations). Organizations should inform the State Tax Inspectorate about these transactions, and the federal currency and export control service about currency operations, within one business day. Cash transactions (including currency exchanges), bank deposits, loan

operations, securities' operations, and property transactions also must be monitored. Organizations are obliged to provide documents and other information about these operations upon inquiry of the court, procurator, investigative agencies, the State Tax Inspectorate, and the federal currency and export control service.

These measures will not be able to solve all of the problems connected with the shadow economy. In particular, several regional leaders feel that they will cause capital flight abroad and interfere with the return of money that has already left. Yet, the authors of the legislation believe that it could improve the process of tracking monetary transactions and shrink the size of the shadow economy. The ball is now in Yeltsin's court.

ELECTIONS 1999/2000

BRYANSK DEPUTIES USE LEGISLATIVE RECESS TO CAMPAIGN AT HOME. Just as the State Duma closed for its summer break, all three deputies from Bryansk returned home and announced that they have no intention of resting. They plan to use their vacation to prepare for the December 1999 elections. LDPR Deputy Gennadii Lemeshov plans to travel around the oblast visiting all of its villages, as he did last year. He especially hopes to visit the smaller, more remote areas that do not receive many high-level visitors. He stated, "We are trying to help them, even just talk to the people from the small villages where there are no roads, no plumbing, no gas."

Lemeshov decided to participate in the elections in the last days of June. He will compete from the 65th district, located in the southern part of the oblast in an area greatly impacted by Chernobyl (he won his present position in the Duma on the LDPR party list). The 65th district is currently represented by Oleg Shenkarev, who will compete against Lemeshov for the spot. Shenkarev was elected by the Communist Party, but in 1997 he left the party and now is a member of the Russia's Regions faction. Shenkarev is known as a tireless fighter against the "Chernobyl mafia." He is continually introducing amendments to the law defending radiation victims of Chernobyl. Shenkarev plans to spend his vacation working with the presidential administration since the State Duma and Federation Council overrode the president's veto on several such amendments. Shenkarev will also travel around the oblast and plans to help his mother gather hay from her fields.

The third Bryansk State Duma Deputy, Communist Vasillii Shandybin, claims that he has not yet decided whether or not he will run for reelection. He says that everything depends on the people: if they want him to run again, he will, otherwise he will work in a local luxury car factory. However, the local branch of KPRF wants to have Shandybin in the Duma for another term, so his decision to compete is assured. Shandybin plans to spend his vacation helping children. He is giving more than half of his vacation pay, 20,000 rubles, to children's homes and donating the rest in humanitarian aid to boarding-schools. He will also reach out to the voters, using his connections with the oblast administration.

The head of the local Yabloko branch, Andrei Ponomarev, also intends to compete in the State Duma elections. He is a member of the Bryansk City Council, where he struggles against the Communist majority. Otechestvo plans to put forth actor

Leonid Kulagin as its candidate. Kulagin himself has confessed that he knows nothing about this, but is prepared to represent the interests of culture in the Duma.

It is too early to say who will emerge victorious in the December elections. The communist party, which controls all of the power in Bryansk, has considerable influence over the people, and the candidates from Yabloko and Otechestvo are still not very well known to the majority of voters. - Nikolai Gorelov in Bryansk

NOVGOROD OBLAST: THEORY AND PRACTICE

PRUSAK BOOK: RUSSIA ON THE THRESHOLD - A STRATEGY FOR THE AUTHORITIES. On the eve of the 5 September gubernatorial elections, Novgorod Governor Mikhail Prusak has published a book entitled "Russia on the Threshold - A Strategy for the Authorities (*Rossiya na rubezhe - Strategiya vlasti*). Prusak described the book as his election platform. The book consists of two parts. The first part contains short thoughts about a variety of issues. The second is a plan for the development of Russia prepared under the leadership of Prusak, who has a doctorate in economics.

In presenting the book, Prusak said that it is about "the new Russia that is being born with great difficulty beyond the Moscow ring-road. All the political storms of the last 15 years are not but the surface appearance of the deep processes under way in the regions." Below are some quotes from the first section which give a sense of Prusak's thinking:

On the economy:

"The main strategic financial problem which our team tried to resolve these last years was finding a way to end our dependence on subsidies from Moscow. It's not just that dividing the regions between donor and recipient regions hurt our pride. We have understood that there is not power without money. This simple truth has been known to man from time immemorial, and all attempts to ignore it have ended badly. Barely getting by on subsidies, which one must beat out of the state by all rational and irrational means, sharply reduces a region's ability to survive. By scraping together the basic necessities, you can support the main services and industries, where it is possible to think about specific programs and about an overall strategy. There is little slack in the process and this is why we are working toward self-financing.

Clearly, traditional approaches won't work here and it is necessary to find unusual solutions. The question is how to get them to work. The desire of several ministries to solve their problems at the expense of a rich, western "uncle," bureaucratic red tape, the lack of a business culture, unwillingness to help, and sometimes ordinary extortion are the main reason western investors do not want to work in Russia. And if the local authorities want to attract western investors, then they must act clearly, removing all bureaucratic obstructions, no matter who creates them.

Only by fixing the economy and giving the population normal salaries can we prevent the social conflicts which have cost our country so much."

On democracy:

"If we want to build a contemporary society, and we do want to do this, then the authorities must be interested in a lively, dynamic social political life. It should have all the structural components: political parties, trade unions, social organizations, religious groups, and the press. They should all function according to the law and freely. Their relationship with the authorities should be based on a civilized, constitutional base rather than on the arbitrary decisions of bureaucrats. We well understand that a deadly style in the social political sphere inevitably creates stagnation, self-satisfaction, passivity, and indifference - the very social sicknesses that affected our society during the last years of the Soviet period.

These are very general words, which will hardly raise protests from anyone. But in practice, when real interests are clashing, when the authorities are in danger of losing their power, there arises a desire to create good conditions for some and less-positive conditions for others. Based on my personal experience, you have to cleanse yourself of this sickness, or it will simply come back in a stronger form.

The most recent confirmation was the elections to the oblast дума, which took place in the fall of 1997. Their main distinction was the non-party, apolitical programs offered by the majority of the candidates, and the presence of many businessmen and managers. The character of electoral campaigns has changed. The sharp conflict of the first reform years have given way and passions have calmed. On the eve of the elections to the дума, our popular TV personality Sergei Darevskii said that the campaign was somewhat boring. I admitted that I was glad about that. This means that the time of change has come to an end, and an epoch of normal life has begun.

I must say something in particular about the press. I cannot complain about my relations with journalists since they are good. In the beginning we said that we would conduct open and transparent policies, and we have tried to follow through. Practically every action of the authorities is available to the press. Since journalists receive the latest information from the administration's press center, they can spend more time working on analysis. An integral part of our style has become informal meetings between the governor and the press, meeting without TV cameras and notepads, when I can openly discuss our problems. By participating in these sessions, the journalists essentially participate in the process of solving the problems."

On a national idea

"The reforms began fifteen years ago and the country is divided. One part of society looks toward western values, while the other stresses national traditions. This division is apparent everywhere: in the economy, in politics, in culture, and in everyday life style. There are even disagreements over the state symbols and anthem. The current constitution is just a weak compromise, reflecting the situation at the beginning of the reforms. It should be seriously amended, taking into account the positive and negative experience the country has accumulated.

There is an exit from this situation. We don't have to invent an artificial idea, or mechanically transplant the American dream to Russian soil. We need to turn to our past, and we will see that in Russian history there was a city that could unite democracy, a free market, and other achievements of national civilization with our traditions. This city is

Gospodin Velikii Novgorod, the former capital of a "veche" republic stretching from the White Sea to the Urals.

Academic Valentin Yanin, who has devoted all his life to studying Novgorod history, has convincingly shown that Rus began here. In contrast to the strongly centralized model, which Muscovite Rus inherited from Kiev, adding absolutist tendencies to it, the Novgorod model is distinguished by great openness and democracy. The Popular Assembly, the Veche, made all the important decisions, it elected the spiritual *vладыка, arkhiepiskop* [archbishop], who was the most important person in the town, who as a prince carried out all the duties of a military leader.

The Novgorod model demonstrated its vitality, giving the world a unique Novgorod culture, creating enormous material and spiritual values. The Novgorod Republic was destroyed by force, but it continued to exist in the memory of the people for many centuries. And now this model has received a new historic chance, our generation can return to the principles of their predecessors on a new basis. Self-government, elections, accountability of the authorities before the people, freedom of speech, the market, private property, freedom for individuals - the very foundation stones that supported the Novgorod Republic can again obtain their former significance.

We believe that we should seek the basis of our national idea, which Russia so badly needs, in these principles." - Ivan Novgorodskii in Velikii Novgorod

NOVGOROD COMMUNISTS PROTEST DECISION TO MOVE ELECTIONS.

On 5 July a Novgorod court rejected a Communist Party-sponsored case against Governor Mikhail Prusak's successful effort to have the regional legislature move the gubernatorial elections from 17 December to 5 September. Such a case against the governor's wishes was unprecedented in Novgorod.

Communist Chairman Yurii Lavrentev charged that moving the elections improved the conditions of the contest for the governor, while hurting the chances of other contenders.

The administration's representative, Sergei Fabrichnyi, defended the move saying that in December the oblast had a tradition of holding open legislative meetings in which the budget and social development norms were set for the next year. Holding the elections in September will allow the newly elected governor to work on the budget and social development program between September and December.

Oblast Duma Chairwoman Lyubov Andreeva said that Prusak will serve out his current term until 18 December and that the person elected in September (mostly likely Prusak again) will have three months to prepare to take off. She also argued that the oblast's roads are in better condition in September, making it easier for voters to get to their polling places and therefore saving lots of money.

The Communists believe that Prusak wanted to be elected in September so that in December he could devote all of his time to getting his allies elected to the State Duma. Nevertheless, even though the Communists are fighting Prusak's tactics, they said that they will not support a candidate in opposition to him. However, the Communists will not compromise their principles and plan to protest the regional court's decision to the Russian Federation Supreme Court. - Ivan Novgorodskii in Novgorod

PATTERNS OF REGIONAL DEVELOPMENT

SHUMEIKO SEEKS EVENKIYA GOVERNOR'S POST. Former Federation Council Chairman and Reforms-New Course leader Vladimir Shumeiko has announced that he will run for a seat in the Evenk Autonomous Okrug legislature in by-elections for an open seat to be held 25 July. The okrug is simultaneously a part of Krasnoyarsk Krai and one of the 89 Russian regions. Shumeiko is expected to win the seat and then secure election as the legislature's chairman, thereby returning to the Federation Council and national politics. The leadership elections will be held in the fall and three people are competing for the seat.

Shumeiko once worked as the director of a Krasnoyarsk Krai defense enterprise, then served as deputy prime minister before becoming Federation Council speaker in January 1994. State-owned military enterprises in the region will likely support him financially. This group includes the Yenisei Chemical Combine, Kras mash, and Radiozavod. The giant military plants like Kras mash and Yenisei are surrounded by numerous middleman firms and sending financial support through them will be relatively simple. Shumeiko's enormous network of connections and his experience in the federal government opens many doors for him.

Many observers also see this step as a move by the Kremlin to balance the power of Krasnoyarsk Governor Aleksandr Le bed, a potential presidential candidate, with the more loyal Shumeiko.

The Evenk Autonomous Okrug has a population of only 28,000. There are approximately 360 voters living in the district from which Shumeiko will compete. - Pavel Avramov in Krasnoyarsk

FOREIGN TIES

TATARSTAN PARLIAMENT AGAINST SENDING RUSSIAN PEACEKEEPERS TO KOSOVO. On 5 July the Tatarstani State Council adopted a resolution denouncing the Federation Council's support of President Boris Yeltsin's decision to send Russian peacekeeping troops to Yugoslavia. The republican legislature approved the resolution by a vote of 111-3. With this move Tatarstan is trying to actively participate in the international questions facing Russia.

According to the declaration itself and the speeches made in the hall, the deputies were concerned about several key issues. First, given rising prices, unpaid salaries, and an overall reduction in living standards, the Tatarstani deputies considered it immoral to spend scarce resources on Kosovo. The estimated cost of the operation will be \$69 million and 100 million rubles. One deputy compared the jump in value-added tax on food from 10 to 20 percent, which went into effect on 1 July, with the expenses for the operations in Kosovo. Many residents of the republic are very upset about this new tax, which is expected to raise 5 billion rubles for the government. Some deputies recommended ending Tatarstan's payments into the Russian budget in order to guarantee a certain level of services in the region.

Second, the deputies argued that when Chechnya remains destroyed and this conflict remains unresolved, Russia does not have a moral right to work in a peacekeeping mission abroad.

Third, the republican legislature asked the Defense Ministry and the General Staff not to include Tatarstani citizens in the Russian units being sent to Kosovo.

Fourth, the legislature noted that in Kosovo, Russia is not neutral, and is in fact supporting the Serbs and the dictator Slobodan Milosevich, who had engaged in ethnic cleansing of the region.

Fifth, the deputies expressed concern that the engagement of Russian troops on one side of the Kosovo conflict could encourage ethnic and religious differences in Russia itself since it is a country that includes numerous religious and ethnic groups.

The legislature strongly supported the position of Tatarstan's members in the Federation Council. President Mintimer Shaimiev openly opposed the plan to send the peacekeepers and did not travel to Moscow to participate in the Federation Council session. Chairman of the State Council Farid Mukhametshin abstained during the vote. - Midkhat Faroukshina in Kazan

POLITICAL ECONOMY

PRICE CONTROLS CREATE CRISIS IN SARATOV. The Saratov administration's price limits on oil products are having an extremely negative impact on the oblast. Farmers in Krasnokutskii Raion have had to halt their work for a lack of fuel. City and rural buses have been idle since 3 July because of limited gasoline supplies. The police, fire, and ambulance service have some reserves, but their supplies are extremely limited.

Governor Dmitrii Ayatskov imposed price controls in the oblast immediately after the August 1998 crisis began. Now the reserve of gasoline supplies in the region has dropped from 30-days worth to just three. Prices for gasoline are significantly lower in Saratov than neighboring regions. Ninety-five octane gasoline costs between 4 and 4.30 rubles in Saratov gas stations, but is over 5 rubles in Voronezh. As a result, most gas is going to regions where the prices are higher. All attempts to prevent this outflow of gasoline have been ineffective.

Ayatskov has long sought to gain control of the fuel and lubricant market in Saratov. Three years ago he tried to set up a company, SANEKO, that would control the market, but could not overcome the protests of the numerous oil recovery, refining, and marketing companies. The governor adopted another decree with the same purpose in March this year, but with little result. The administration's only achievement was showing that more gasoline was produced in the region than sold at the gas stations.

The attempts to crack down have only increased the level of criminality in the industry. Many gas stations keep two sets of records to hide their true activities. - Yuliya Yeliseeva in Saratov

IN-DEPTH ANALYSIS

STEPASHIN'S CABINET AND THE REGIONS

by Vladimir Klimanov

MOSCOW - With the State Duma and presidential elections approaching, regional issues remain at the center of attention for many members of Prime Minister Sergei Stepashin's

cabinet. While, as usual, there are many institutes with overlapping functions, the unprecedented direct subordination of the Ministry for Federal Affairs and Nationalities to the prime minister demonstrates the increased importance of the ministry.

The main issues of importance will be harmonizing federal relations in terms of the budget, reducing regional separatism (including that based on ethnic reasons), selective support for depressed and poorly-developed regions, resolving the problems of the far north, developing local government, and stimulating interregional ties. Given the approaching elections, the government will also have to deal with stabilizing the political situation.

The Ministry for Federal Affairs and Nationalities, which had been divided into two ministries under former Prime Minister Yevgennii Primakov, is now one under Vyacheslav Mikhailov, who led the Ministry of Nationalities under former Prime Minister Viktor Chernomyrdin. After serving there, he worked for a year as the first deputy chairman of the Security Council. Ramazan Abdulatipov, who had the strong support of the Russian Regions State Duma faction, remains a minister, though without portfolio. He will participate in resolving specific ethnic problems.

Abdulatipov and Mikhailov gained experience working together until spring 1998. (Abdulatipov heads up the Department of Federal and National Relations in the Presidential Administration's Russian Academy of State Service and Mikhailov is a professor there.) If they did not initiate the idea of unifying the two ministries, then they strongly supported it.

The fate of the ministry and Abdulatipov personally remains unclear. Optimistically, under Stepashin and with the elections approaching, the ministry could become very important. It could play a particularly significant role as the cabinet begins to consider the legal relationship between the center and the regions, a federal program for developing the regions' social-economic situation, relations between the eight interregional economic associations, and financing for local government. In his first public appearances, Mikhailov has said that the ministry should play a central role in center-periphery relations, and that coordinating problems where two ministries played a role in the past would no longer be a problem.

Critics point out that Mikhailov will have great difficulty resolving the organizational problems of the ministry before he can address more substantive issues. In the last two government reshuffles, the ministry went through a variety of changes. In May 1998, the Ministry of Nationalities was reorganized, and in the fall of 1998, it was abolished along with the State Committee on Problems of the North. Then, on its foundation, two independent ministries were created. All these reorganizations were accompanied by personnel changes, redivisions of property, and an intense battle for defining who should do what. As a result, it was not clear what the old ministries were supposed to do and it remains unclear what functions belong to the new one.

Mikhailov must make his administrative and personnel decisions quickly to be ready for the fall election campaign. Now, it is only clear that this will not be an easy process. President Yeltsin's 25 May decree creating the ministry leaves too many questions unanswered. In particular, it created the new ministry on the basis of the Ministry of National Policy and gave it some of the functions of the Ministry of Regional Policy. Moreover, the reorganization resulted in the recreation of the State Committee for Northern Affairs. It is not clear what will happen to the officials from the Ministry of

Regional Affairs. Even the fate of former Minister for Regional Affairs Valerii Kirpichnikov is unclear, since he is being considered for an important post in the new government.

Although Stepashin will answer for regional policies in general, his two first deputy prime ministers also have considerable regional responsibilities. Nikolai Aksenenko is in charge of issues relating to the north and will work with the newly created committee dealing with these issues. The "northern" problems are closely connected to the policies of the natural monopolies dealing with transportation and energy. Aksenenko's first trip to Vorkuta showed that he was interested in solving these problems personally. The former chairman of the State Committee on the North, Vladimir Goman, accompanied him on this trip, and shortly after their return, was again appointed to chair the committee.

Aksenenko is also responsible for Russia's policy toward the CIS, migration issues, and relations with citizens living abroad. The Ministry for CIS Affairs and the Federal Migration Service often work with numerous other ministries in resolving regional issues. Here, Aksenenko will seek a compromise between regional and local agencies on one side and large companies on the other.

The other first deputy prime minister, Viktor Khristenko, who handles macro-economic issues will also deal with several regional issues. Khristenko was the main author of the "Concept for Reforming Inter-Budgetary Relations in the Russian Federation in 1999-2001," which was approved by Prime Minister Sergei Kirienko's government on 30 July 1998, just a few weeks before the August crisis began and then the subsequent dismissal of Kirienko and Khristenko from office. Accordingly, Khristenko did not have time to implement the plan. A plan with specific steps was only adopted by Yevgenii Primakov's government in December 1998. Khristenko's return to the government suggests that he will soon try to reform inter-budgetary relations in the country. President Yeltsin also stressed this goal in his 1999 address to the national parliament.

Khristenko's position in charge of the preparation and implementation of programs for promoting Russia's socio-economic development and coordinating the efforts of federal agencies for this goal gives him a considerable hand in the regions. The Economics Ministry plays a particularly important role here, as demonstrated by its decision to launch a new monthly journal in 1999 called Federal Relations and Regional Social-Economic Policy. One of the main ways of spending federal resources in the regions is through special federal programs for regional social and economic development. Khristenko will have a voice in the development and financing of these new programs. His role will be even more important since President Yeltsin's annual statement to the parliament this year called for the "rational reduction of special federal programs."

Thus, Stepashin's regional policy will be carried out in a variety of directions and through a variety of different approaches. Clearly the government will not be able to address problems in the regions without taking into account the opinion of the governors. Stepashin held his first two meetings with them on 15-16 May, just before the State Duma voted to confirm him. It remains to be seen whether the governors will find the new government up to the job.

SPECIAL REPORT

MUSA MURADOV: LITTLE PROGRESS IN REBUILDING CHECHNYA

On 23 June Groznenskii Rabochii Editor-in-Chief Musa Muradov described the Chechen perspective on Russian-Chechen relations at the EastWest Institute's New York center. Since 1991 Muradov has edited Groznenskii Rabochii, the leading Chechen daily at the beginning of the Russian-Chechen conflict in 1994. The newspaper's office was destroyed in the conflict and several staff members were killed. In 1995 Muradov revived the paper as a weekly. Nevertheless, he continues to encounter tremendous challenges in producing the paper, operating without a telephone and fax machine. Now, the Russian language publication is the only Chechen newspaper that can be accessed electronically (from EastView publications). His visit to the United States was sponsored by the Andrei Sakharov Foundation. Below we provide a summary of his comments.

NEW YORK - Nearly three years after the Khasavyurt agreement ending the Russian-Chechen conflict was signed, little has been accomplished to rebuild the war-torn republic. With the region's entire telecommunications system destroyed, Chechnya lives in virtual isolation from the rest of the world. Very few outside newspapers make it to Chechnya, and then only infrequently. For the most part, the world views the situation in Chechnya through the perspective of the Russian media, which only report the violence and criminal news from the republic. Naturally, the world has a distorted picture of real life on the ground. Largely unreported are the efforts of the common people, the vast majority of the population, to make ends meet and rebuild life in their devastated country. Muradov views his opportunity to speak to a Western audience as a chance for Chechnya to break the information blockade and give the outside world a more balanced perspective.

One of the greatest challenges is that Chechnya's status remains unclear. The Khasavyurt accords put off discussion of the issue until 2001, but for the Chechen people there is no question anymore that Chechnya is an independent country. It is now up to the Russian leadership to accept this fact and learn to live with it, Muradov said. For this reason, Chechnya cannot seek aid from Russia without compromising its position. Although President Aslan Maskhadov is a cautious and reasonable politician, some of his allies are extremely anti-Russian. Thus, when he tried to work with the Russian government to obtain economic aid for reconstruction, he was accused of bringing Chechnya back into the imperial fold, and the effort was curtailed. At the same time, the international community has not recognized the republic as an independent state. One example of the difficulties this presents to Chechen citizens is the issue of passports. Since the republic does not issue international travel passports, Chechen citizens must travel on Russian or Soviet documents. This presents problems for young people who were not issued passports before the conflict began since acquiring such documents from Moscow requires acknowledging that Chechnya is part of the Russian Federation. The ultimate normalization of relations between Russia and Chechnya will not be possible while the people responsible for the war are still in power in Moscow.

The decision to leave Chechnya's status in limbo has been a great hindrance to the region's reconstruction effort. Every Chechen citizen who lost his home during the war is

entitled to compensation from the Russian government, according to the terms of the 12 May 1997 treaty signed by President Boris Yeltsin and Maskhadov. Yet no one has seen any compensation. Nearly all of the buildings of the republic's three universities were destroyed and have not been rebuilt, leaving young people without any opportunity to acquire an education. Unemployment is widespread, as almost all industrial plants have been leveled. Schoolteachers go unpaid, relying on donations from students' families. Approximately 5,000 hectares, 15 percent of the region's arable land, is contaminated with land mines, greatly hampering agricultural output, one of the region's few means of healthy economic activity. These conditions serve only to further foster criminal activity as a means to support oneself. The Caspian oil pipeline running through Chechnya is well protected by the government, although there are still instances of pirates illegally drilling holes in the pipes and siphoning off oil.

Chechnya has received virtually no international aid in rebuilding and developing its economy. The international presence in the region has been limited to humanitarian aid. The International Red Cross provides pensioners with free loaves of bread, and the OSCE is also conducting a humanitarian aid mission, yet much humanitarian assistance designated for Chechnya is channeled through Russia, and thus has not made it to the republic. Some Islamic states have offered assistance to Chechnya, but these resources are directed to the radical extremist Wahhabis, who comprise a very small, yet powerful percentage of the region's population and is largely responsible for the majority of violence in the region. For example, Saudi Arabia has financed the establishment of Islamic schools, which pay students \$50 each month to attend. This has been an attractive offer for many unemployed youth.

Ethnic minorities constitute about 150,000 people out of Chechnya's 900,000 strong population. Of those, about 80 percent are ethnic Russians, who have not left the republic. They are organized into their own congress and *Groznenskii Rabochii* publishes a monthly supplement targeted at this audience. Additionally, the newspaper organizes weekly opportunities for Russians to meet with high level state officials, who normally would not be accessible to them, to petition them for various forms of aid. There is also a small, but well-organized German minority in Chechnya.

Overall, Chechnya felt abandoned by the West during its conflict with Russia and in the aftermath. Western journalists provided objective coverage of the war and the Russian atrocities against the civilian population. Yet the Chechens did not understand how the West could stand by and do nothing about Russia's actions. Still, Chechens feel it is hypocritical for Russia to take such a reprimanding tone towards the West in Kosovo when its own actions towards Chechnya closely parallel what the Serbs did in Kosovo. Chechens feel that NATO's activity in Kosovo may warn other governments that using similar violent tactics in order to maintain control over their states is not acceptable. -
Summary prepared by Natan Shklyar and Danielle Lussier

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EastWest Institute
Russian Regional Report
Vol. 4, No. 27, 15 July 1999

Russian Cohesion Index: -24 (no change this week)

Disintegration.....T.....0.....Democratic Federalism
(T = this week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

----- The situation in the North Caucasus is deteriorating. Chechen fighters have stepped up their attacks on Russian policemen on the border, while Cossacks are taking revenge by throwing innocent Chechens out of their homes in Stavropol Krai and then burning houses to the ground. Perhaps increased international attention will oblige Russia to seek solutions to these complicated problems through means other than force. (-5)

----- Foreigners are giving Kaliningrad money in an effort to stop the region from dumping raw sewage into the Baltic Sea. However, at the same time, the Federal Security Service (FSB) has opened another case against a concerned citizen, accusing him of treason for publicizing information about the military's ecological sins off the coast of Primorskii Krai. For real progress on these environmental issues, Russia must get its own house in order rather than depending on foreign dollars. (-2)

----- The business climate is continuing to deteriorate as Tyumen Governor Leonid Roketskii has sent a letter to Prime Minister Sergei Stepashin complaining about the activities of British Petroleum/Amoco in Siberia and workers at a Leningrad Oblast paper plant continue to battle foreign investors at their plant. Foreigners continues to leave Russia in droves and few deals are likely to be made until after the presidential elections. (-2)

+++++ Despite its problems on the Russian market, BP/Amoco remains interested in developing the Kovyktin gas field in Irkutsk Oblast. The potential for sales to China are enormous. (+2)

+++++ Citizens of the Komi Republic have started to exercise real oversight over the actions of their parliament. Their first conclusions show that Komi's law on providing aid to republican children is completely ineffective. More work like this will make the authorities more responsive to the population. (+3)

+++++ Constitutional Court Member Gadis Gadzhiev denounced Ulyanovsk Governor Yurii Goryachev's efforts to change the oblast charter to allow him to seek another term in office. In Russia, term limits are a good way of encouraging a greater turnover in the

regional elite. Allowing the same leaders to stay in office for more than a decade generally leads to stagnation. (+4)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Chechen Border Zone: Two Views

Ethnic Cleansing in Stavropol Krai

Stavropol, Chechen Leaders Discuss Cooperation

Patterns of Regional Development

Yekaterinburg Businessman Could Prove Useful Ally for Rossel

Komi's Civil Parliament Increases Oversight over Regional Leaders

Sobchak Returns to St. Petersburg

Elections 1999/2000

Vsya Rossiya to Hold Second Congress in August

Voronezh: Political Activity Heats Up Across the Spectrum

Center-Periphery Relations

Constitutional Court May Challenge Ulyanovsk Amendment

Kursk Responds to Federal Complaints on Local Government

Political Economy

Shipping Scandal Continues in Vladivostok

Social Issues

Kaliningrad Wins EBRD Credit for Water Treatment

Advertisements

Rebuilding Russia Discussion Group Forum

*** New EWI Book on Eurasian Security***

EWI Handbook of Russian Regional Executives

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

FSB INVESTIGATING ANOTHER ECOLOGIST. The Primorskii Krai Federal Security Service has deprived nuclear specialist Vladimir Soifer, 69, of access to secret documents, *Izvestiya* reported on 14 July. The agency has also searched his home and sealed his offices. The search allegedly revealed that he had copies of secret documents that should have been kept locked in special cabinets. However since the case would fall under a recent amnesty granted by the State Duma, the FSB has not filed charges, such as treason, against Soifer for allegedly passing on information to foreigners.

According to the *Moscow Times* (15 July), Soifer was working with Green Cross International. Soifer has been investigating the consequences of an accident on a nuclear submarine that occurred on 10 August 1985 in Chazhma Bay. Ten people died at the time and the bay was contaminated with radioactive materials.

Izvestiya compared the case to those of Grigorii Pasko (Primorski Krai) and Aleksandr Nikitin (St. Petersburg) who have been charged with treason for giving information about Russia's environmental abuses to foreign organizations. The outcome of Pasko's trial is expected soon.

RIGHT PARTIES CONTINUE ATTEMPTS TO UNITE. On the night of 12 July, Samara Governor Konstantin Titov, Anatolii Chubais, and Sergei Kirienko met to discuss the possibility of uniting their parties for the State Duma elections. The parties agreed to form a working group to develop a united platform, mostly covering economic issues. Former Economics Minister Yevgenii Yasin will head the group. Representatives of Our Home is Russia did not participate. So far the main problem blocking unification is the development of an electoral list for the elections. Many of the governors in Titov's Golos Rossii and NDR do not want to be on the same list as Pravoe delo's Boris Nemtsov and Boris Fedorov. Kirineko wants to lead the list himself and many other participants have ambitions that cannot be reconciled. (*Izvestiya*, 14 July)

EVENKIYA FAILS TO HAND POWER TO LEBED. The Evenk Autonomous Okrug legislature failed to gather a quorum on 13 July to discuss the possibility of handing over the regional governor's power to Krasnoyarsk Krai Governor Aleksandr Lebed. The okrug is simultaneously one of Russia's 89 regions and subordinate to Krasnoyarsk Krai. A Krasnoyarsk delegation had come especially for the session. The absence of the quorum reflects the legislators' desire not to hand over power. Former Federation Council Speaker Vladimir Shumeiko is seeking a seat in the legislature in by-election later this month (see *EWI Russian Regional Report*, 8 July 1999). (*Izvestiya*, 14 and 10 July)

AUSHEV ATTACKS STROEV. Ingushetiya President Ruslan Aushev accused Federation Council Speaker Yegor Stroev of "constantly violating the principles of free collective decision-making and ignoring the opinions of Federation Council members in setting the agenda," among other sins. Aushev was angered that Stroev did not allow Ruslan Pliiev, the speaker of the Ingushetiya parliament, to speak about the problems of the refugees in Ingushetiya. Although there is considerable unhappiness with Stroev in the upper house, *Vremya MN* (9 and 12 July) suggested that there is little chance the speaker would be removed before the presidential elections are over in the summer of 2000.

YELTSIN MEETS WITH VSYA ROSSIYA LEADERS. On 8 July President Yeltsin met with seven leaders of the Vsya Rossiya bloc, after Tatarstan President Mintimer Shaimiev had announced earlier in the week that the bloc would likely ally with Moscow Mayor Yurii Luzhkov's Otechestvo. Yeltsin hopes to keep the governors from working closely with Luzhkov. Besides Shaimiev, the other participating governors and presidents were Bashkortostan's Murtaza Rakhimov, Astrakhan's Anatolii Guzhvin, Irkutsk's Boris Govorin, Omsk's Leonid Polezhaev, Chelyabinsk's Petr Sumin, and St. Petersburg's Vladimir Yakovlev. Yeltsin's attempts to keep the governors from working with Luzhkov were not successful, *Kommersant Daily* reported on 9 July. One unidentified governor told the newspaper that he hoped Vsya Rossiya would begin to work more closely with Otechestvo with the president's blessing.

In an interview with *Nezavisimaya gazeta* (10 July), Omsk's Polezhaev said that the governors will have a great influence over the Duma elections. Polezhaev faces elections on 5 September and plans to use the vote of confidence his reelection gives him to name the people he would like to see in the Duma.

SARATOV TREATIES NOT IMPLEMENTED. Essentially none of the 65 trade, scientific, or cultural agreements Saratov Oblast has signed with other Russian regions or the 10 framework agreements signed with other CIS countries are being implemented. A meeting of the oblast government determined that the result of all this activity only brought an additional \$1 million to the region. First Deputy Minister for International Relations and Foreign Economic Ties could not explain the failure. At the same time, the oblast is preparing a series of new agreements with a number of Russian regions and CIS countries. (<http://www.regions.ru/news/comments.html?id=1406>)

ECONOMICS

TRADE UNION ACCUSES COCA-COLA IN SVERDLOVSK. The Union of Trade Workers in Sverdlovsk Oblast has accused Coca-Cola Bottlers of Yekaterinburg of violating Russian labor laws by threatening employees with dismissal for trying to set up a union, *Vremya MN* reported on 12 July. The union also claims that the company made its employees work on their days off without pay. Employees also claim that they must work 12-13 hours a day without receiving overtime compensation. A spokeswoman for the company said that the management explained to the employees that forming a union could lead to pay cuts and the destruction of the company. McDonald's has also had troubles recently with the formation of unions in its Russian plants.

OIL FLOWING AROUND CHECHNYA. The North Caucasus has started regular deliveries of Azerbaijani oil from Makhachkala, the capital of Dagestan, to Grushevaya, just south of Novorossiisk. The train can carry about 5,000 tons daily. The railroad authorities estimate that the cost of shipping the oil by train is no more than shipping it across Chechnya in pipes. (*Vremya MN*, 9 July)

TATNEFT TO BEGIN WORKING IN ARKHANGELSK. Tatneft will soon begin geological research work in Arkhangelsk for oil, gas, and diamonds, according to documents signed by Arkhangelsk Governor Anatolii Yefremov and Tatarstan Prime Minister Rustam Minnikhanov. Tatneft has already set aside 5 million rubles for the diamond surveys. Tatarstan President Mintimer Shaimiev has said that the republic should set up its own gold reserves and Arkhangelsk diamonds could potentially add to these reserves. *Vremya MN* (9 July) suggested that the real parties behind this deal are still in the shadows. South Africa's De Beers is already working the Lomonosov diamond deposit in Arkhangelsk, having invested \$2 million and promising \$50 million.

AKSENENKO SEEKS TUNNEL CONNECTING SAKHALIN TO MAINLAND. First Deputy Prime Minister Nikolai Aksenenko would like to build an under-water tunnel to connect Sakhalin Island with the mainland. The tunnel would provide rail links from the hydrocarbon deposits just off the island so that the resources could be

transported by rail along the Trans Siberian Railroad and the Baikal Amur Magistral. The cost of the tunnel to Russia could reach \$7-10 billion. Ultimately, a tunnel could also be built to connect Sakhalin to Japan. (*Kommersant Daily*, 8 July)

CHECHEN BORDER ZONE: TWO VIEWS

ETHNIC CLEANSING IN STAVROPOL KRAI

by Kharon Deniev

STAVROPOL - On 18-20 June many Galyugaev Chechens spent their last days in Stavropol Krai, shortly before being deported simply because of their nationality.

The Stavropol authorities have carried out Prime Minister Sergei Stepashin's order to set up a 15-kilometer buffer zone along the Chechen border in the most literal sense of the command. Instead of resettling people in a civilized way, 62 peasant families were simply thrown out of their houses.

In the beginning of July I was in Chechnya working with a humanitarian mission and had the opportunity to interview the families now living on the Chechen side of the border. Saidi Amiev, a resident of Stavropol Krai since 1964, who was thrown out the Sovetskii village in Kursk Raion, said, "On the evening of 18 June 1999 about 30 drunken and well-armed employees of the Kursk Raion Department of the Ministry of Internal Affairs arrived at our house in two armored personnel carriers. They ordered all Chechens (about ten families) to leave the krai within 24 hours. They pointed their guns at the women and children and threatened to shoot us if we refused to leave. Given this situation and lacking the ability to defend ourselves through legal means, we asked the authorities to give us a safe corridor to enter Chechnya. ... I watched how on 20 June 1999, the same men burned our homes and the property left behind. The Stavropol authorities did everything to prevent our return to the krai. Now we are foreigners in Chechnya and unwanted in Russia even though we have Stavropol residence permits in our passports.

"Who will defend us? After all, we did not kill any policemen on the border. Why should we, simple agricultural workers who have honestly worked on this land for decades, be held responsible for the crimes of inveterate bandits? Who will be held responsible for our ruined lives, burned houses and damaged property."

Eighty percent of the deported Chechens were born in Stavropol and never lived in Chechnya. These ethnic Chechens are not familiar with social life in Chechnya.

I asked General V. F. Belchenko, the deputy secretary of the Stavropol Krai Council on Economic and Social Security, to explain the situation. He said that he understood the motivation of the people who threw out the Chechens because between April and June 1999 about 15 policemen have been killed on the Chechen border. Therefore, he noted, the Cossacks responded and the authorities cannot do anything about it. He said that the situation is getting out of control.

In fact, the authorities have more control than they admit. The very same General Belchenko, who has a high post in the Cossack hierarchy, said in April that if the authorities did not take the appropriate security measures, the Cossacks would respond

themselves. Apparently, he had in mind the removal of innocent farmers from their homes...

Given that the procurator has not taken any action against the deportation of ethnic Chechens from the border region of Stavropol Krai, it seems clear that high level officials gave the order for such actions. In Stavropol, there are certainly people who are ready to carry out any order, just as there were such people during the undeclared Chechen war.

STAVROPOL, CHECHEN LEADERS DISCUSS COOPERATION. Last week Stavropol Governor Aleksandr Chernogorov met with Chechen Deputy Prime Minister Kazbek Makhashev to discuss ways to stabilize the situation in the North Caucasus, problems along the border, the reception and care of refugees, paying off the krai's debts, and potential cooperation between Stavropol and Chechnya.

The leaders discussed the possibility of urgently shipping gasoline and motor oil from Chechnya to Stavropol, particularly to help during the grain harvest in the region. Chernogorov said, "It is no secret that due to a shortage of gasoline, much of our harvesting equipment is simply standing in the fields. The capital calmly watches the situation and predicts that we will need to buy grain abroad for hard currency." On 30 June, Chernogorov fired Stavropol Prime Minister Stanislav Ilyasov, largely because of the problems surrounding the gasoline shortage, and personally took over his responsibilities.

The leaders agreed that a better regional policy is needed because it is impossible to resolve problems simply by using force. It is necessary to step up the negotiating process and the search for agreement at the federal and regional level.

Chernogorov stressed that improved relations between Stavropol and Chechnya would increase law enforcement in the border zone and the North Caucasus region as a whole. The military and police also need to take advantage of opportunities to increase their level of cooperation, the two leaders agreed. - Irina Morozova in Pyatigorsk

PATTERNS OF REGIONAL DEVELOPMENT

YEKATERINBURG BUSINESSMAN COULD PROVE USEFUL ALLY FOR ROSSEL. Sverdlovsk Oblast's 29 August gubernatorial elections are less than two months away and there are already 22 potential candidates. The main contenders are archrivals incumbent Eduard Rossel and mayor of the oblast's capital city Yekaterinburg, Arkadii Chernetskii. Another candidate is the well-known, popular Yekaterinburg entrepreneur, Igor Kovpak. Kovpak owns a network of supermarkets spread across the city, which he claims are visited by 200,000 customers per day. In spite of his financial authority, Kovpak only recently entered the political scene, becoming a member of the City Duma and therefore does not command any real political authority. Nevertheless, practically everyone regards him as a potentially powerful politician in Sverdlovsk Oblast in the future, so Kovpak is in for a bitter struggle until the end of the race.

The fact that Kovpak has decided to compete in the elections even though he does not have a very good chance at winning suggests that he unofficially supports the present governor. His nomination benefits Rossel since Kovpak's main base of support is concentrated in Yekaterinburg, just as is that of Chernetskii. Thus, Kovpak should take

away a considerable amount of support from the mayor on his own turf. Additionally, both Kovpak and Chernetskii are honing the image of being businessmen and managers, and both of their programs are focused on the future development of industry in the oblast. Thus, it is entirely possible that Kovpak may attract a large number of votes from Chernetskii throughout the oblast as well.

Given his small chances for victory, what made Kovpak decide to join the gubernatorial race? The origins of his decision may be rooted in the founding conference of the Yekaterinburg branch of Otechestvo in April. The three most probable candidates to head the branch were Chernetskii, Kovpak, and Sverdlovsk Oblast Legislative Assembly Deputy Valerii Trushnikov. Although many thought Kovpak would become the branch's leader, the more experienced Chernetskii secured the spot by promising Trushnikov the chairmanship of the Legislative Assembly if the latter would support him. Even though Chernetskii secured the Otechestvo leadership, he has clearly lost in other, perhaps more important ways, giving Rossel a clear advantage for the August elections. - Olga Gorchakova in Yekaterinburg

KOMI'S CIVIL PARLIAMENT INCREASES OVERSIGHT OVER REGIONAL LEADERS. During the spring of 1999, several prominent politicians in the Komi Republic founded the "Civil Parliament," which is meant to become an alternative to the State Assembly, the republican legislature where the party of power dominates. Providing critical analysis of republican laws and securing public oversight of the republic's budgetary income and expenditures are the goals of the new organization.

On 6 July the presidium of the Civil Parliament discussed the results of a study it commissioned on Komi's law on children's rights. Olga Startseva, a professor at the local pedagogical institute, headed the expert group. Her report on the law found that it is incomplete and not aimed at protecting children's rights. All rights declared in the law, such as education, health care, labor, and personal immunity, exist only on paper, as mechanisms and financing for their realization are absent. The Civil Parliament intends to send its recommendations regarding how to improve the law to Komi Republic Chief Executive Yuri Spiridonov and the State Assembly (*Molodezh severa*, 8 July).

However, the Civil Parliament's actions and their ramifications regarding this particular law will have little political consequence. Greater complications and problems will arise from the analysis of many other controversial laws that have greater political significance. The local parliament is effectively a political club of the "party of power," which only meets occasionally. Therefore, the majority of republican laws have considerable deficiencies. Such laws include the Law on Local Self-Government, which contradicts federal legislation on local government (for a detailed analysis of this issue, see *EWI Russian Regional Report*, 21 May 1998), and the Law on the Status of the Komi People, which is undemocratic in its very essence because it encroaches upon the interests of all nationalities except the titular ethnic group. Even more serious problems will arise when the group begins to monitor budget expenditures. Despite these problems, it is important that the Civil Parliament has begun to take action, strengthening public oversight of those in power. - Yuri Shabaev in Syktyvkar

SOBCHAK RETURNS TO ST. PETERSBURG. After nearly two years of self-imposed exile in Paris, former St. Petersburg Mayor Anatolii Sobchak returned to St.

Petersburg on 12 July. In 1997, Sobchak's wife, State Duma Deputy Lyudmila Narusova, sent her husband to the French capital in secret. The former mayor left to continue convalescing from an apparent heart attack and because the procurator general had filed a criminal case against corruption in the mayor's office in which Sobchak served as a witness.

Upon his return, Sobchak claimed that he had answered all of the procurator's questions and that he no longer feared for his life. "The investigative group of the procurator has worked on this case for four years, and there are no results." However acting Procurator General Yuri Chaika said that he will continue to investigate the Petersburg mayor's office.

During his time in Paris, Sobchak wrote three books and prepared several draft bills that he believes should be adopted by the State Duma. Among the bills he prepared are laws giving land to Russia's citizens and rules improving the tax system. Sobchak's first goal in St. Petersburg is to participate in the State Duma elections. He has not decided which district he will compete in, but has declared that he will be a member of the Democratic Russia party. He joined the party after the assassination of his old ally Galina Starovoitova. As for financial support, Sobchak "will not be subordinate to anyone, and will not go with an outstretched hand to the oligarchs." He said that he would depend on "the support of the city's residents."

Petersburgers are divided in their opinions on Sobchak's return. Some believe that, like a figure in a Dostoevsky novel, he has returned to the scene of the crime. Others remember his democratic romanticism and powerful speeches from ten years ago.

On 13 July, he already began delivering new speeches. In one he called for the return of the capital to St. Petersburg. In another he claimed that he has the energy to compete in any elections, including even next year's presidential campaign.

In an interview with *Kommersant Daily* (14 July), Sobchak said that one of the mistakes he had made as governor was resigning his party membership in Democratic Russia immediately after his election. He said that this decision hurt the democrats' organization and favored the Communists. He also said that the results of the 1996 gubernatorial elections, which he lost to his former deputy Vladimir Yakovlev, had been falsified. He charged that results were influenced by a massive campaign organized in Moscow. - Marina Makova in St. Petersburg

ELECTIONS 1999/2000

VSYA ROSSIYA TO HOLD SECOND CONGRESS IN AUGUST. St. Petersburg Governor Vladimir Yakovlev, one of the leaders of the Vsya Rossiya regional bloc, announced that the movement would hold its second congress at the end of August in Ufa, the capital of Bashkortostan (Bashkortostan President Murtaza Rakhimov belongs to the movement). According to Yakovlev, the primary focus of the congress will be to decide whether or not Vsya Rossiya will unite with any other political groups to compete in the State Duma elections in December. Yakovlev feels that the most probable partners for Vsya Rossiya are Moscow Mayor Yuri Luzhkov's Otechestvo movement and Our Home is Russia (NDR).

The St. Petersburg governor stated, "Everyone is well aware that Vsya Rossiya, Otechestvo, and NDR work with the same electorate, and to break up this union means to

give the opposition and other unconstructive groups the opportunity to enter the Duma." Yakovlev also said that the Vsy Rossiya political council intends to hold a constituent conference in Moscow on 20 July to determine the primary principles and platform for uniting with other political movements.

Yakovlev stated that Vsy Rossiya has received several merger proposals, and the number of regions wanting to join the bloc is increasing. He claims that regional branches of Vsy Rossiya are being created in 75 regions, and feels that they could be established in all 89 regions in 1-2 months. - Marina Makova in St. Petersburg

VORONEZH: POLITICAL ACTIVITY HEATS UP ACROSS THE SPECTRUM.

With the national legislative elections approaching, the political parties in Voronezh are reorganizing to gain the best position. Moscow Mayor Yurii Luzhkov's Otechestvo political movement has just appointed a new coordinator for Voronezh Oblast. After the previous coordinator, State Duma member and Congress of Russian Communities (KRO) leader Dmitrii Rogozin, decided to leave the movement, his former aide Yurii Titov took his place. The Muscovite Rogozin was also one of the co-founders of Otechestvo on the federal level. Rogozin is a nationalist and joined Otechestvo because he supported Luzhkov slogans like "Sevastopol belongs to Russia" and the mayor's hard-line stance opposing the Russia-Ukraine cooperation treaty. However, Rogozin decided that joining Otechestvo was a mistake when it became clear that the party would seek an alliance with Vsy Rossiya.

Vsy Rossiya is a movement founded by influential governors and republican presidents to promote their interests at the federal level, mainly in the State Duma. Rogozin thinks that the aims of Vsy Rossiya and KRO are incompatible - Vsy Rossiya fights for more powers for the regional authorities, while KRO supports a more centralized federation. KRO was to decide whether to stay in Otechestvo at its upcoming convention, but Luzhkov excluded KRO from his party at an Otechestvo political council session. Titov, the new Otechestvo coordinator in Voronezh, supports the decision of his movement's political council, but does not think that there is any reason for rivalry between Otechestvo and KRO on the local level (*Bereg*, 25 June).

Yabloko's federal council recently decided to close its Voronezh Oblast branch, which had operated under the leadership of businessman Vladimir Kuznetsov. Federal party officials were disappointed that the local branch did little even though Yabloko has considerable support in Voronezh. According to the consulting center "Content," 12.5 percent of Voronezh residents back Yabloko. A new Yabloko branch in Voronezh will be formed as soon as possible. Among the possible candidates to lead the new branch are former Vice Mayor Vladimir Sukhovey and Voronezh Pedagogical University Rector Vyacheslav Podkolzin. Yabloko has recently shut down several local parties, including its Omsk branch, in an effort to improve its representation in the regions.

At the end of June, the Voronezh branch of the extremist Russian National Unity (RNE) held a conference devoted to the Duma elections in Voronezh. The local authorities were not able to ban the convention of this neo-fascist organization because party leaders did not plan a public demonstration or a march. Though it could not organize its own demonstration, after the conference, RNE supporters took part in a pensioners' meeting organized by a group called the "Veterans of Labor" (*Bereg*, 2 July). This incident shows how the RNE tactics have changed following its famous march

through the streets of Moscow and the subsequent crusade of Moscow Mayor Yuri Luzhkov against the organization (see *EWI Russian Regional Report*, 4 March). The RNE now prefers to hide behind somebody else's back than to expose itself to the police. The RNE was denied registration for the State Duma elections but its members are going to participate as candidates of other parties and political organizations. - Andrei Muchnik in Voronezh

CENTER-PERIPHERY RELATIONS

CONSTITUTIONAL COURT MAY CHALLENGE ULYANOVSK

AMENDMENT. Russian Constitutional Court member Gadis Gadzhiev announced at the "Elections-99: The Political-Legal Context of the Region" interregional seminar held recently in Yaroslavl that he considers the amendment to the Ulyanovsk Oblast Charter adopted in February 1999 allowing Ulyanovsk Governor Yuri Goryachev to serve a third consecutive term to be illegal (see *EWI Russian Regional Report*, 18 February).

Article 72 of the charter previously stated that the same person may not occupy the governor's post for more than two terms in a row, therefore Goryachev's current term should be his last. The revised article states that "the same individual may not be elected governor more than two times in a row." This wording clears the path for Goryachev's third term since he was elected governor only once, in 1996. Yeltsin appointed him governor in 1992.

Gadzhiev recalled that the Constitutional Court has already issued its decision regarding analogous situations concerning the president of the Russian Federation. The Court concluded that Yeltsin could not run for a third presidential term. According to Gadzhiev, the same reasoning applies to the election of governors--"a term is a term." The Constitutional Court might issue a special decision regarding Ulyanovsk Oblast if it receives a suitable inquiry, for example, from a public organization.

This issue clearly has tremendous significance. If the Constitutional Court declares the amendment illegal, it will completely change the region's political situation. Whether or not the court comes to a decision before or after the 2000 gubernatorial elections is important. If Goryachev is elected for a third term and then the Court decides that the amendment is unconstitutional, the election results may be contested as invalid. - Sergei Gogin in Ulyanovsk

KURSK RESPONDS TO FEDERAL COMPLAINTS ON LOCAL

GOVERNMENT. The federal procurator, presidential administration, and State Duma have sharply criticized the Kursk Oblast Duma and Kursk Governor Aleksandr Rutskoi for revisions made to the oblast charter on 9 March that do not coincide with federal law and the Russian Constitution. The amended charter abolishes the region's system of local self-government and brings back the Councils of People's Deputies. According to the revised charter, the 511 municipal structures currently in existence will be winnowed down to 38 councils in 28 agricultural raions and 10 cities. By amending the charter, Rutskoi clearly wanted to gain greater influence over the heads of local administrations and the local budgets. The federal authorities have issued 11 complaints regarding the governor and oblast duma's decision to eliminate local self-governments, and now the oblast authorities are trying to rescind their actions.

Thirty votes are necessary to repeal the revisions. However, since it is summer many deputies are on vacation. At the 7 July session only 31 of 40 deputies were in attendance, making it impossible to gather enough votes to return the charter to its original formulations. The following day the presidential administration phoned Kursk Oblast Duma Chairman Viktor Chernykh to inquire whether the assembly had changed the charter. He said that if it was difficult for the oblast duma to rectify the problem, the Constitutional Court could take up the issue (*Kurskaya pravda*, 9 July). The only thing the Oblast Duma could do to appease the federal authorities was to remove the changes that had been introduced into the oblast legislation. - Sergei Sarychev in Kursk

POLITICAL ECONOMY

SHIPPING SCANDAL CONTINUES IN VLADIVOSTOK. The scandal around Vladivostok's Vostoktransflot (VTF) and Far East Shipping Company (DVMP or FESCO) continues to develop in the city. As reported previously, with the support of Governor Yevgenii Nazdratenko, the former director of Vostoktransflot, Viktor Ostapenko, again returned to power in the company and accused his predecessor, Director Anatolii Milashevich, of illegally selling the firms' ships abroad (see *EWI Russian Regional Investor*, 24 June). With VTF under control, the governor and his associates are trying to grab FESCO. The governor has demanded that Andrew Fox, the chairman of the foreign investors in FESCO, reduce the amount of control he and other foreign investors have over the company. The two sides are continuing to exchange blows in the battle for control over millions of dollars in income and political influence.

Nazdratenko's main theme is saving the Russian fleet. He continues to denounce Fox, the director of Tiger Securities and the honorary consul of Great Britain in Vladivostok, by claiming that he serves business interests and states who want to deprive Russia of its fleet. The pro-gubernatorial press in the region is painting a picture of Fox aimed at discrediting him. It charges that he appeared in the region seven years ago in torn jeans and then worked his way up to control the shares of stocks in the region's major enterprises held by foreign investors. The press charges that the main figure behind Fox is the investor Kenneth Dart. The pro-Nazdratenko newspaper *Vladivostok* also obliquely accuses Richard Thomas, Fox's assistant, of having old ties to the CIA. Such reporting is designed to convince local voters that the governor has successfully foiled a plot by foreign competitors and states to send Russia back to the pre-Petrine era before it had a fleet.

Milashevich, the 29-year-old former director of VTM, charges that the scandal surrounding VTF and DVMP is part of the governor's attempt to control the main money flows in the region on the eve of the elections. He claims that all the problems began last year when he rejected Nazdratenko's request that VTF pay \$2 million into his campaign war chest. Fox claims that Nazdratenko's attack on the foreign investors is simply a way to detract attention from the real problems in the region and the people who are responsible for them.

The region has also witnessed attacks on journalists who have published critical accounts of the scandal. After Yurii Stepanov, the editor-in-chief of Radio Lemma conducted an interview with Milashevich in Moscow, unknown assailants beat him, leaving him bruised and barely able to breathe. Then a truck crashed into journalist Oleg

Zhunosov's car. Later unidentified assailants sat in the car of Lemma General Director Muravev's daughter and over the course of an hour explained to her that her father should change the tone of his reporting.

The economic situation at VTF and FESCO remains extremely difficult. Nazdratenko addressed the captains of the VTF boats at sea, asking them not to take orders from Milashevich and to return to Vladivostok. Milashevich's supporters, who own 64 percent of the stock in the company, held a meeting of the shareholders where they confirmed his position at the chairman of the board. As a result the frightened creditors have begun to confiscate VTF's ships. So far ships have been seized in Great Britain, Nigeria and China. Milashevich's press service is taking advantage of this situation to describe the terrible plight of the sailors and his opponents' inability to help them.

There are also dramatic events taking place at FESCO. At a shareholders' meeting Aleksandr Lugovets was elected the chairman of the board of directors. Lugovets, the first deputy Russian transportation minister and a former FESCO employee, is Nazdratenko's choice to lead the company. Milashevich withdrew his candidacy, saying that he did not want to draw the governor's ire on FESCO. Ironically, it was Richard Thomas, Fox's assistant and one of the representatives of the foreign shareholders, who cast the deciding vote for Lugovets. Afterwards, Fox declared that the foreign shareholders were unhappy with the outcome of the vote and were trying to figure out why Thomas voted as he did. Some suspect that the administration was able to exert considerable press on him. Fox charged that if the Primorskii Krai administration confiscates their property, other investors will no longer be interested in working in the region. - Yevgenii Popravko in Vladivostok

SOCIAL ISSUES

KALINIGRAD WINS EBRD CREDIT FOR WATER TREATMENT. On 4 July Kaliningrad Oblast Governor Leonid Gorbenko, Kaliningrad Mayor Yurii Savenko, Russian First Deputy Finance Minister Aleksei Kudrin, European Bank for Reconstruction and Development (EBRD) representative Ulf Hindstrem, and EBRD Swedish Director Stefan Krona signed a series of documents providing loans for reconstructing Kaliningrad's water treatment system. The decision to support this project stems from Europe's grave concern over Kalinigrad's deteriorating environmental situation, in particular the dumping of large amounts of raw sewage into the Baltic Sea. According to Gorbenko, the overall sum of investment for the project is \$56.7 million. The project is being financed by \$18 million in loans from the EBRD, \$16 million and \$13 million in aid grants from the Swedish and Danish governments, \$13 million from the Russian federal budget, \$1.7 million from the Northern Economic Corporation, and \$5 million from the Kalinigrad oblast and city budgets. The EBRD loan has a 15-year repayment period with an initial 4-year deferment, so repayment will occur between 2003-2014. The project should take 5 years to complete. - Yekaterina Vasileva in Kalinigrad

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The RRR will take a short break next week and resume publication on 5 August. Best wishes for a happy summer break.

RRR Editors

EastWest Institute
Russian Regional Report
Vol. 4, No. 28, 22 July 1999

Russian Cohesion Index: -24 (no change this week)

Disintegration.....T.....0.....Democratic Federalism
(T = this week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewws.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

+++++ The World Bank is launching programs to move residents of Russia's Far North, where maintaining human life is extremely expensive, to the south, and to support the forestry industry. Such investments will remove some of the costly legacy of the Soviet era and support long-term Russian growth. (+2)

+++++ Russian tax collections are up, partly because of increased production since the collapse in the value of the ruble following the August 1998 crisis. Despite this overall positive trend, a larger share of Russian taxes are coming from a smaller number of Russian regions and Moscow's huge share is getting even bigger. (+1)

----- Russia's non-Communist parties are likely to remain as divided as the left side of the political spectrum. The main problem seems to be one of personality, as all party leaders and governors want to be in charge. There are also wide gaps remaining on a variety of issues, such as the role of the state in the economy, and the benefits of asymmetric federalism. An improved ability to compromise would clarify the political battlefield. (-1)

----- The Stavropol Mayor is openly backing the extremist Russian National Unity (RNE) party. Having elected officials with such nationalist views in positions of power in the North Caucasus is only likely to cause a further deterioration of the situation there. (-2)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions
Patterns of Regional Development

More Regional Officials to Compete for Leningrad Governor
Otechestvo Faction in Irkutsk Legislature
Local Court Bans Shumeiko's Bid for Evenk Assembly
Tyva Capital's Mayor Assassinated
Center-Periphery Relations
Leonid Potapov on "The Arbitrary Rule of One Person"
Elections 1999/2000
Yabloko on the Campaign Trail in Samara
Communists in Trouble in the Regions
Parties Jockey in Rostov on the Eve of Duma Campaign
Regional Parties Unlikely to Form Alliances
Special Research Report
Regional Tax Payments, January-May 1999
Local Government
"Local Self-Government" of Local Political Control in Russia? The Case of
Bashkortostan
Report from the Field
Bryansk and Smolensk: Two Rather Different "Red Belt" Regions
New Books
Regional Links
Moscow Mayor Yurii Luzhkov's Otechestvo
Advertisements
Rebuilding Russia Discussion Group Forum
*** New EWI Book on Eurasian Security***
EWI Handbook of Russian Regional Executives
Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

STAVROPOL MAYOR SUPPORTS RNE. In a transcript of a discussion between Stavropol Mayor Mikhail Kuzmin and Minister of Internal Affairs Vladimir Rushailo, Kuzmin openly proclaimed his support for the extremist Russian National Unity (RNE) movement. In the interview, Rushailo suggested that Kuzmin find a new job, pointing out that his support for the RNE was not acceptable to the president, Ministry of Internal Affairs, procurator general, or the Justice Ministry. Kuzmin then claimed to be a member of the Communist Party of the Russian Federation, saying he saw no difference between the two organizations. At that, Rushailo ended the interview. (*Vremya MN*, 22 July)

PATTERNS OF REGIONAL DEVELOPMENT

MORE REGIONAL OFFICIALS TO COMPETE FOR LENINGRAD GOVERNOR. On 14 July Acting Leningrad Oblast Governor Valerii Serdyukov announced that he would compete in the oblast gubernatorial elections set for 19 September. Serdyukov can now begin to collect signatures for his nomination. In recent statements, former Leningrad Oblast Governor Vadim Gustov has repeatedly criticized his former subordinate, who he believes has betrayed him by participating in the election.

Serdyukov is the second high-ranking official in the oblast government to join the gubernatorial race. The other is St. Petersburg State Tax Inspector Viktor Zubkov. Leningrad Oblast First Deputy Governor Yurii Sokolov also hopes to compete. He has announced his intention to the electoral commission and is now collecting signatures. Gustov, who left the post in September 1998 to join then Prime Minister Yevgenii Primakov's cabinet, is the favorite to win back his old job. - Marina Makova in St. Petersburg

OTECHESTVO FACTION IN IRKUTSK LEGISLATURE. Moscow Mayor Yurii Luzhkov's Otechestvo has established a 21-person faction in the Irkutsk Oblast Legislative Assembly. The new group comprises slightly less than half of the 45-person body. Among the prominent local deputies are: Sergei Shishkin, Igor Grinberg, Gavriil Frantenko, Anton Shloido, Lyubov Medvedeva, and others. One of the faction's key organizers, Committee for Social and Cultural Law Chairman Valerii Sokolov, announced that the bloc was created with the goal of influencing the political and economic situation in the country and actively seeking power. As the numerous statements of those wishing to join the centrist Otechestvo indicate, the movement's supporters are not limited to the oblast center, but come from cities and districts throughout the oblast.

Otechestvo's focus on social-democratic issues such social justice, developing a market economy with a variety of forms of ownership, and support for small and medium-sized business attract many Siberians to the movement. - TELEINFORM in Irkutsk

LOCAL COURT BANS SHUMEIKO'S BID FOR EVENK ASSEMBLY. The protracted affair of nominating Vladimir Shumeiko to run for the Evenk Autonomous Okrug's Supreme Suglan (Assembly) has finally ended (see *EWI Russian Regional Report*, 8 July). Shumeiko was going to run in a remote and sparsely populated district, with only 400 registered voters. A local level court in the town of Togansany declared Shumeiko's candidacy invalid, citing distribution of humanitarian aid on behalf of Shumeiko as a major campaign violation. One of the other candidates to the assembly, Marina Smirnova, who heads the Association of Ethnic Minorities of the North, was the plaintiff in this case. The presiding judge announced that the full reasons for the court's ruling will be disclosed on 25 July, the election day. Thus, Shumeiko fell out of the race for a seat in the okrug's parliament and for membership in the Federation Council, which he would have obtained had he become the assembly's chairman.

Apparently, Aleksandr Lebed, the governor of Krasnoyarsk Krai, of which the okrug is a constituent part, played a role in removing Shumeiko's candidacy. The krai administration provided helicopters and other material resources that made the investigation and court hearing possible. Lebed's deputy, Yevgenii Vasiliev, even sent a telegram to Togansany, stating that if the court came under pressure, the hearing should be moved to Tura, the okrug's capital.

Lately Lebed has been saying frequently that Krasnoyarsk Krai needs both the Evenk Autonomous Okrug and its budget, which now exists independently of the krai budget. Had Shumeiko been elected to the okrug's assembly, the governor's annexation plans would have been jeopardized. Moreover, the public has learned that Boris

Berezovsky, who has supported Lebed's political career in the past, plans to run for the State Duma from the Evenk Autonomous Okrug. Thus, removal of Shumeiko from the race represents not only a fight over budgets, but also struggle for a seat in the national parliament. - Pavel Avramov in Krasnoyarsk

TYVA CAPITAL'S MAYOR ASSASSINATED. On 21 July Genrikh Epp, the acting mayor of the Tyva Republic's capital Kyzyl, was murdered in an apparent assassination. A landmine exploded under his car on the way out of Epp's summer dacha, followed by gun shots through the side windows. Aside from running the city, Epp was an active local politician, one of the coordinators of such rightwing parties as Russia's Democratic Choice and Pravoe delo.

Epp's colleagues say that he used his official position to root out corruption and crime, and his murder could have been either economic or political in nature, given the upcoming race for the State Duma. He had been receiving numerous threatening phone calls, which he reported to the law enforcement organs, however the latter took no real measures to protect him. On the day of the murder Epp was supposed to take an *Izvestiya* correspondent to the airport. Allegedly, he was planning to give the reporter materials implicating high level republican officials in corruption. - Pavel Avramov in Krasnoyarsk

CENTER-PERIPHERY RELATIONS

LEONID POTAPOV ON "THE ARBITRARY RULE OF ONE PERSON."

President of Buryatiya Leonid Potapov delivered a critical evaluation of the Yeltsin regime on the eve of the fifth anniversary of the introduction of the presidency in Buryatiya. The statement was unusual since 63-year old republican president, who was reelected to a second term last year in a convincing 64 percent victory, rarely gives interviews or holds press conferences.

Potapov called presidential rule the optimal form of government for contemporary Russia, emphasizing the historical orientation of the people towards a strong personification of power. Potapov charged that the main problem regarding this model is the arbitrary use of power that is permitted by the Constitution of the Russian Federation. He emphasized that he did not support this constitution from the start. Moreover, he argued, "If the prime minister is confirmed by the State Duma, then the Duma should dismiss him. Prime ministers should never be changed so impetuously." Potapov further stated, "I believe that the Duma should confirm not only the candidate for prime minister, but also candidates for the power ministries. Only then will it be a truly representative organ. Now, the public sees the arbitrary rule of one person who possesses an enormous amount of power, and it can do nothing. What kind of democracy is this? It is distorted," (*Pyatnitsa*, 8 July).

Regarding President Boris Yeltsin's ability to finish out his term, Potapov stated that he was in favor of the president's voluntary resignation, "since in this instance all executive power until the election of a new president would be in the hands of a stable regime." He did not support impeachment because he believed that it would lead to civil war.

The Buryatiya president believes that it is necessary for the federal government to pay more attention to the social needs of the population. It will be difficult to accomplish

this task, however, because "Russia transferred responsibility for social programs to the republic, but did not provide the necessary financial support." - Andrei Khodoev in Ulan-Ude

ELECTIONS 1999/2000

YABLOKO ON THE CAMPAIGN TRAIL IN SAMARA

by Andrei Perla

SAMARA - The most visible actors on Samara Oblast's political scene from 12-16 July were Yabloko's Nikolai Travkin and Vladimir Lukin. They held so many meetings, press conferences, and public appearances that it is possible to say that Yabloko has a head start over all other candidates preparing for the region's electoral campaign. Lukin and Travkin's visit to Samara on these specific days was a smart political move as they made their appearance in the region during a slump in political activity. The majority of local politicians preferred simply to wait until after their vacations to start campaigning. Moreover, during this time, Samara Governor and Golos Rossii leader Konstantin Titov spent much of this time in Moscow and traveling to Siberia to conduct negotiations with potential allies, such as Our Home is Russia (NDR) Duma faction leader Vladimir Ryzhkov and Irkutsk Governor Boris Govorin, a member of Vsyu Rossiya.

Under these circumstances, interest in the Yabloko members' visit was unprecedented. From the minute they arrived at the airport, the local media followed their every move and took advantage of every opportunity to ask questions. During his stay, Travkin made about 10 public appearances and gave press conferences in Samara and Togliatti. He appeared on local television TV-6, taking advantage of an incredible opportunity to grab some free air time. Travkin received the greatest response during a speech he gave before workers at the Maslennikov factory, a state defense enterprise that is currently benefiting from increased output.

Lukin was a bit less active. He limited himself to two official press conferences and meetings with activists from the local Yabloko branches in Samara and Togliatti.

A week after this visit it is possible to say that Yabloko has launched its election campaign in Samara with extraordinary success. According to local sociologists, Yabloko's popularity rating jumped after Travkin and Lukin's visit, surging past the Communists in Togliatti (city residents willing to vote for Yabloko increased from 14 to 16 percent).

It is true that there was really no other way for Yabloko to start its campaign in Samara. No one from Samara will be included on Yabloko's party list for the State Duma elections. The lack of candidates explains the passivity of the local Yabloko branch, which the Moscow politicians' visit was meant to counter. It is likely that Travkin and Lukin were trying to influence the direction of the local organization through their visit. However, this influence seems limited to Yabloko's involvement in the local political scene. For example, Travkin told the RRR that Yabloko should compete for the post of mayor of Togliatti.

Yabloko's bold start is particularly good in comparison to its competitors. The majority of political parties have not yet launched serious campaigns. The only exception

is Pravoje delo. Travkin and Lukin's visit to Samara practically coincided with appearance of billboards displaying group portraits of movement leaders Boris Nemtsov, Irina Khakamada, and Boris Fedorov in Samara's streets. Still, the appearance of Moscow politicians on the ground reaches the electorate far more effectively than do their black and white images.

By visiting Samara, the Yabloko politicians dealt a blow not only to Pravoje delo, but also to that party's potential ally, Golos Rossii. It is entirely possible that lowering Samara Governor Titov's Golos Rossii's chances in its home region was the main purpose of the trip. Neither Travkin nor Lukin spoke ill of Titov's activities. On the contrary, both announced that they consider Titov a talented governor and promising politician. An explanation for such comments could be that Yabloko's strategy is to try and destroy the union developing between Titov and politicians from NDR and Pravoje delo.

It is also possible that the visit of Grigorii Yavlinskii's allies had another purpose. It will be difficult to run a local campaign without local financing. Yabloko has not had any success on this front in Samara or Togliatti. They had hoped to win commitments from AvtoVAZ President Vladimir Kadannikov, but, he has not yet determined his political strategy. On 11 July, the day before Travkin and Lukin arrived in the region, Kadannikov announced that he was not ready to offer financial support to any political organization. Under such circumstances, the negotiations held between the Moscow visitors and representatives from the Togliatti business community could have particular significance. In particular, Travkin met with Transformator Director Nikolai Brusnikin, who considers himself the chairman of Sergei Kirienko's Novaya Sila in the region.

COMMUNISTS IN TROUBLE IN THE REGIONS

by Leonid Smirnyagin, Moscow State University

ALTAI KRAI - MOSCOW - For the last six months, Russian analysts have been predicting that the Communists would suffer a setback in the party-list voting during the December 1999 State Duma elections. This view is almost universal and the only question is how many fewer votes the party will win this year in contrast to 1995. The same tendency is also taking place in the single-member districts, even in those regions where the Communists once had wide support.

Altai Krai is a good example of this trend. It is one of the "reddest" regions of Russia. In the early part of the 1990s, it gave Yeltsin only lukewarm support and in 1996 overwhelmingly backed Zyuganov. Voters replaced their Kremlin-backed governor Lev Korshunov with Aleksandr Surikov. In the current State Duma, of the seven Altai deputies, four are Communists, one from the Agrarian Party, one represents Our Home is Russia, and one is independent.

Observers often point to the krai's strong agricultural base to explain the leftist voting patterns. But the krai also has a strong industrial sector, which produced 4-5 times more than the agricultural sector in terms of output value. But most of the industry is based on large enterprises that have been sharply reduced in recent years. While none of the factories have been closed, their output has significantly decreased, as has the number of employees. All these idle hands once voted for the Communists, hoping for a return to the Soviet era when all the factories were productive.

But now the situation has changed and the voters are likely to deny the Communists seats in each of the four single-member districts in the krai. A brief survey of each district follows:

Barnaul district (no. 34) - Communist incumbent Nina Danilovaya will likely not be able to hold on to her seat because she will be competing against Our Home is Russia (NDR) leader Vladimir Ryzhkov, who has made a brilliant political career during the last eighteen months. His combination of youth, circumspection, articulateness, and frequent appearance on national television makes him popular in the region. Even though Ryzhkov has not started his campaign, public opinion polls show that he leads Danilovaya by 10 points in the polls. The popular Barnaul Mayor Vladimir Bavarin also supports Ryzhkov.

Slavgorod district (no. 37) - This is the most agricultural region in the krai. The leader is Blagoveshchensk Raion head S. M. Tevonyan, the leader of the Altai Otechestvo movement. He will likely beat the Communists' candidate, Rodin Raion head G. V. Shenkevich. Shenkevich has excellent oratorical abilities, but Tevonyan is much better known.

Biisk district (no. 35) - Biisk is home to the region's defense industrial complex. Here the Communist incumbent, Zoya Vorontsova, is leading in the polls. Her main opponent is Yabloko's V. S. Astanin, who is currently pulling in 15 percent of the vote. However, the anti-Communist groups are extremely divided here. The Zarin Chemical Plant Director may run despite attempts to talk him out of it. The well-known Altai politician Aleksei Sarychev may also run in this district, having changed his earlier plans under pressure from the Kremlin to run in the Bauman district where Ryzhkov will compete. In this case, former Governor Korshunov, who is currently heading the krai's tax police, could be a compromise choice for the anti-Communist groups. Korshunov is well known and has a good chance of winning. However, in the gubernatorial election, he did not do well in Biisk, blaming his loss on his failure to do better in the region. However, some believe that he could have won if he had spent more time in the region so that he would benefit from his main strength, an ability to communicate with an audience, even one opposed to him.

Korshunov's exact relationship with the Kremlin is unclear. The president's team did not provide much support during the gubernatorial elections. During that time there were also numerous rumors that Chubais was seeking to replace him. Whether Korshunov participates in the Biisk race depends on the deal that the Kremlin can cut with Yabloko. Yabloko is becoming increasingly popular in the region and is even beating out the Communists in the cities. The party is gaining at the cost of leaders like Krasnoyarsk Krai Governor Aleksandr Lebed and Liberal Democratic Party leader Vladimir Zhirinovskiy. As a result, the anti-Communist groups may ultimately decide to support the Yabloko candidate in this district. This would be bad news for Korshunov because he has already made it clear that he wants to run for governor again. It would be much easier to do that as a member of the Duma than as the head of the local tax police.

Rubtsov district (no. 36) - Here incumbent Nikolai Gerasimenko is likely to win again. The Communists backed him in the last elections, but he then joined the Russian Regions faction and generally voted in favor of the president's position in the State Duma. He has also served on a committee on health care. In the 1999 elections, the

Communists decided to withdraw their support for Gerasimenko and support the orthodox Communist M. M. Zapolev.

Given the rising popularity of Yabloko, and the relatively small drop in support for NDR thanks to Ryzhkov, Altai Krai could potentially not elect a single Communist to the next Duma.

PARTIES JOCKEY IN ROSTOV ON THE EVE OF DUMA CAMPAIGN

by Andrei Miroshnichenko

ROSTOV-NA-DONU - In spite of the summer heat, the political parties in Rostov-na-Donu are actively preparing for the December elections. The Communist Party of the Russian Federation (KPRF), Yabloko, and Otechestvo are among the leading contenders. Southern Russian is traditionally considered Russia's "Red Belt." Although in the second round of the 1996 presidential elections Rostov Governor Vladimir Chub managed to break this trend and ensure victory for Yeltsin on the Don, agricultural areas and small cities regularly vote for the Communists.

In the 1995 Duma elections, the Communists took 26.99 percent of the votes in the oblast and 20 percent in Rostov (22.3 percent in Russia overall). Thus, the Communists can count on strong support in the region. Yet the main force of the Communist Party in the area is its local leader, State Duma Deputy and Chairman of the Committee for Federal Affairs and Regional Policies and member of the KPRF Central Committee Presidium, Leonid Ivanchenko. Ivanchenko is a former governor of Rostov Oblast, renowned as a strong manager. For eight years he has struggled bitterly with incumbent Governor Vladimir Chub. However, the Communists in Rostov Oblast have a strong staff and an effective, but cheap, electoral machine.

Thus far only Yabloko poses any threat to the Communists. In the 1995 elections they took 14.11 percent of the vote in Rostov Oblast (6.89 percent in Russia), and outdid the Communists in Rostov city, pulling in 22.1 percent of the vote. This is a Yabloko record among regional centers. In neighboring Taganrog, Yabloko received more than 23 percent of the vote, a record for Yavlinskii's party in such elections. Yabloko was also successful in the 1997 Rostov City Duma elections, winning one third of the seats (7), while the Communists managed to take only 3. Rostov Yabloko members have an authoritative leader, State Duma Deputy Mikhail Yemelyanov. Although Yabloko stands in the opposition to the oblast authorities, Yemelyanov nevertheless maintains working contacts the region's leaders and has repeatedly helped in lobbying Rostov Oblast interests in Moscow.

Sergei Kirienko's Novaya Sila and the Nemtsov-Chubais-Gaidar Pravoe delo head up the democratic flank. The local branch of Novaya Sila recently signed a "non-aggression pact" with Yabloko. The two sides pledged to agree on candidates in single-seat elections and support each other in every possible way. This is a way for Novaya Sila to launch itself in Rostov, and for the local Yabloko it offers evidence that the party is capable of forming alliances with other democratic parties.

Pravoe delo has poor prospects in Rostov. Its leader, Boris Titenko, a democrat of the very first wave in 1989, was a deputy in the First State Duma elected on Yegor Gaidar's Russia's Choice party list. Pravoe delo's weakness is that it is poorly organized.

It has no clear leaders for competition in the single-member district contests, and it has too many organizational problems to hope for success in the party-list balloting.

Another dying structure is the Rostov branch of Our Home is Russia (NDR). In 1995 the movement barely brought in 5.3 percent (10.13 in Russia). NDR executive committee chairman Yakov Umanskii claims to be actively working on a declaration to the citizens of Rostov, but the electoral results for NDR in the region are unlikely to be higher than those of 1995. Furthermore, the oblast powers that created the local branch of NDR are now looking into other alliances.

On the other side should be Moscow Mayor Yurii Luzhkov's Otechestvo. When Luzhkov came to Rostov in May, he was received with unusually high esteem. Yet, the Kremlin's attack on Luzhkov sobered up the Rostov leaders. Under such conditions, Chub will most likely try to preserve the possibility of close contacts with Luzhkov for himself, while at the same time not announce his sympathies publicly. Although Luzhkov is controversial in the regions, his chances in Rostov are not bad. The problem is that his organization does not have any strong local leaders in Rostov. The branch basically consists of mid-level directors, former Komsomol members, and low level departmental bosses--nomenklatura types. This group can cater to nomenklatura-like business, but whether or not it can excite the masses is the question.

In the 1996 presidential elections Aleksandr Lebed took 20.4 percent of the vote in Rostov Oblast and 19.6 percent in the city (14.5 percent in Russia). The result was very promising for Lebed, and he could secure considerable support in Rostov. Yet, the general is tied up in Krasnoyarsk affairs, and his Rostov supports are idle now even though in the fall of 1997 the party was one of the most dynamic in the region. Rostov's Lebed organization seems to be caught up in the same organizational and financial problems his followers are experiencing on the federal level.

Rostov's LDPR organization has started to undergo something of a renaissance with the emergence of young, energetic coordinators from small enterprises wanting to participate in the election business. However, Rostov's LDPR organizers were confused by his poor performance in the Belgorod elections (see *EWI Russian Regional Report*, 3 June). There is, however, one raion in the north of the oblast, Tatsinskii, where the LDPR has considerable influence. The raion is led by an LDPR representative. Thus the success of LDPR in Rostov might depend on the voting in oblast's north and on the campaign tricks of the party's leader, who is known for serving as the choice for many wishing to cast a protest vote. In the 1995 Duma elections LDPR collected 10.25 percent in Rostov Oblast (11.8 percent in Russia). In the 1996 presidential elections Zhirinovskiy received 4.67 percent in Rostov (5.7 percent in Russia).

Every political scientist interested in Rostov always queries about the electoral influence of the Cossacks. In fact they have no influence. The political strength of the Cossacks in Rostov exists only when someone begins to believe in their political strength. The authorities have succeeded in splitting the Cossacks into two. One group serves the president and the governor and their ataman has the rank of deputy governor. These Cossacks have no political independence.

Cossacks under Ataman Kozitsyn have joined an anti-Chub alliance with the Communists, a tandem that surprised even the Cossacks. Even though this group has voiced a long list of political demands, it has very little political weight. This group

supports the blatant anti-Semitism of General Albert Makashov. Thus, neither group has any power on its own, and can only assert itself in alliance with others.

The most important party is, of course, the party of power. Chub formerly maintains his membership in the political council of NDR. Yet he was also one of the founders of the Golos Rossii bloc. Chub is also well positioned in reference to Luzhkov's Otechestvo. Essentially, Rostov's leadership is putting its eggs in several baskets.

Overall, regional powers will play a more politicized role in the upcoming elections than they have in the past. On the one hand, they will seek to regulate the successes of the single-member district races. On the other hand, they are slowly falling into the inter-party struggles of the federal parties capable of taking power and ruling through well-organized deputy factions.

REGIONAL PARTIES UNLIKELY TO FORM ALLIANCES. The Presidium of the Vsya Rossiya Political Council held a meeting in Moscow on 20 July to discuss who its allies will be in the December State Duma elections. Despite strong appeals from representatives of Moscow Mayor Yurii Luzhkov's Otechestvo to form a united list for the elections, the bloc, which unites a number of governors including Tatarstan's Mintimer Shaimiev and St. Petersburg's Vladimir Yakovlev, refused to name its allies. Instead it set up a working group to determine the principles on which such an alliance could be formed. Nevertheless, Yakovlev said that potential partners included Otechestvo, Golos Rossii, and Our Home is Russia (NDR). Russian Regions State Duma faction leader Oleg Moroz also said that the party had "positive signals" from the branch of the Agrarian Party led by Mikhail Lapshin and Gennadii Kulik.

In a booklet called *"Znakomtes: 'Vsya Rossiya' Obshchestvenno-Politicheskii Blok. Voprosy i otvety"*, the bloc's leaders point out that they are closer to Otechestvo than NDR, after categorically rejecting any support for Gaidar and Chubais. The booklet describes NDR as representing "Russian capitalists and chiefs of all varieties." Luzhkov is described as borrowing European social democratic ideas combined with a great power bias in foreign policy, and a desire to achieve new strength for the federal center in domestic politics. Although Vsya Rossiya's leadership feels more comfortable with Otechestvo, there are clear differences. In particular, in contrast to Otechestvo, Vsya Rossiya claims to "defend the interests of the forgotten Russian provinces and the people who live there." Khanty-Mansi Duma Chairman Sergei Sobyenin claims that the other parties are based on strong centralized leaders who will promptly forget their regional roots the morning after the elections. In this sense, Sobyenin claims that Vsya Rossiya is different from the others.

Vsya Rossiya claims that it was formed to "realize the rights and potential of the Russian regions as the decisive force" in overcoming Russia's various crises. The statement argues that the main problem in Russian life is that the "the federal center has too much power in relation to the regions."

Despite Vsya Rossiya's expressed willingness to form alliances with other parties, the chances of such an action seem remote. Otechestvo leader Moscow Mayor Yurii Luzhkov will inevitably want to control any organization with which he is associated. There are also clear differences between Luzhkov, who is at war with the Kremlin, and Shaimiev who tries to cultivate a closer relationship with the president.

Golos Rossii also seems to be heading in a different direction. According to an article by Leonid Smirnyagin in the June edition of the party's new journal, *Golos Rossii: regionalnyi zhurnal*, Golos Rossii is the only real regional party. The article points out that Luzhkov and Shaimiev won points for the exclusive rights that they were able to obtain for Moscow and Tatarstan. Otechestvo works as an arrow from Moscow to the regions, while Vsya Rossiya is an arrow from the regions to Moscow, the article claims. Against this background, Golos Rossii presents itself as a more balanced alternative. Titov claims that Vsya Rossiya believes that Russia's 21 ethnically-defined republics should have more rights than the other regions. At the same time, Golos Rossii wants equal rights for all regions.

Golos Rossii also seems to be building an alliance with Pravoe delo, which is led by Chubais, Gaidar, and Nemtsov. During his recent trip to western Siberia, Unified Energy System Chairman Anatolii Chubais helped pave the way for an alliance between the Sayano-Shushenskii Hydro-Electric Plant and the Sayansk Aluminum Plant. The merger will guarantee the aluminum plant cheaper electricity. The Sayansk plant is part of the Siberian Aluminum Group of Oleg Deripaska, which includes a processing plant in Samara (*Vremya*, 16 July, and *Izvestiya*, 17 July). Deripaska is believed to be one of the main financial supporters of the Golos Rossii bloc. Khakasiya leader Aleksei Lebed has been cooperating with Golos Rossii. Interestingly, Chubais blocked the attempt of Anatolii Bykov and the Krasnoyarsk Aluminum Factory to make a similar deal in Krasnoyarsk.

Titov sees his potential allies as NDR, Vsya Rossiya, Pravoe delo, and Novaya sila. Titov is unlikely to work with Otechestvo since Titov does not agree with Luzhkov's views favoring a large role for the state in the economy. Titov would support an alliance with Yabloko, but admits that Grigorii Yavlinskii is unlikely to agree to any coalition.

Despite these apparent trends, the political situation remains extremely fluid. During the last week Titov has been traveling through the regions of Siberia and the Far East to round up support for Golos Rossii. After a meeting with Irkutsk Governor Boris Govorin, a Vsya Rossiya supporter, Govorin announced that he did not see any serious differences between Golos Rossii and Vsya Rossiya (*Nezavisimaya gazeta*, 20 July). In Khabarovsk a little later in the trip, Titov's relations to Gaidar and Chubais seemed to cool a little. There he pointed out that there are a variety of opinions about their work in society (*Nezavisimaya gazeta*, 21 July), implying that many are not positive.

At a meeting of the NDR Political Council, the party leaders ranked the order of their preferences for alliances. Vsya Rossiya was first, followed by Golos Rossii, Novaya sila, and Pravoe delo. - Robert Orttung in Moscow

SPECIAL RESEARCH REPORT

REGIONAL TAX PAYMENTS, JANUARY-MAY 1999

by Olga Kuznetsova, Head of the Department for Regional Economic Policy, Russian Government Center for Economic Reform

MOSCOW - The economic crisis of August 1998 had a different impact on each of Russia's regions and, accordingly, the amount of taxes they collect.

According to the data of the Ministry of Taxes and Collections, during the period between January and May 1999, Russia overall collected 46.2 percent more taxes than during the same period in 1998. The gain came not only from rising prices, but also the increased output following the crisis (see *EWI Rossiiskii Regionalnyi Byulleten*, 11 June).

The dynamics of tax payments is radically different from region to region. Despite the overall growth in the country as a whole, there were declines in the taxes collected in the Nenets Autonomous Okrug (12.2%), Evenk AO (9.5%), Kalmykiya (6.5%), and Khanty-Mansi (2.3%). In 45 regions, the rate of growth was below average, and in 39, above average (the ministry does not collect data from Chechnya). The greatest growth was in the Koryak AO (530%), and in six regions (Mordoviya, Karachaevo-Cherkesiya, North Osetiya, Yakutiya, Taimyr AO, and Orel), where collections increased 200-240 percent.

Among the regions with greater than average and less than average tax collections, there were both relatively rich and relatively poor regions. The data shows that the level of tax collection depends on a huge range of objective and subjective factors.

Among the objective factors influencing tax collection is the level of growth in local industries. The Koryak and Taimyr AOs and Sakha lead the list of regions in terms of maximum growth of the value of industrial growth. However, there are exceptions. Orel Oblast had less than average growth, but it had one of the largest increases in tax collection. The Gorno-Altai Republic had 700 percent growth in production, but tax income only increased 44.5 percent.

Among the subjective factors are the regional authorities' tax policies. Whether regional leaders introduced sales taxes, for example, was extremely important. According to the Ministry of Taxes and Collections, 67 regions had sales tax income during the first five months of 1999. Twenty-one regions did not have the sales tax (Arkhangelsk, Leningrad, Kaluga, Moscow Oblast, Ryazan, Moscow City, Kursk, Lipetsk, Kalmykiya, Karachaevo-Cherkessiya, Ingushetiya, Perm, Novosibirsk, Tomsk, Khanty-Mansi, Yamal-Nenets, Krasnoyarsk, Taimyr, Magadan, Sakhalin, and Kaliningrad). Moscow introduced a 2 percent sales tax on 1 July.

The sales tax contributes much more to regional budgets than the minor local taxes it replaced. While the earlier taxes contributed 3 percent to regional budgets, the sales tax contributed 5-5.5 percent in the regions where it existed. Chuvashiya registered the maximum share contributed by the sales tax to overall income during the first five months of 1999 with 14.7 percent. In eight other regions, the share was over 10 percent (Ivanovo, Kurgan, Ulyanovsk, Bryansk, Mordoviya, Buryatiya, Marii El, and St. Petersburg). It is possible that that overall impact of the sales tax is negative, but the immediately apparent initial result is positive.

The significant difference between regions in terms of the level of economic development and population size explains why a small number of regions contribute most of the country's taxes (see Table 1 below). During the first five months of the year, the trend for concentrating the taxes received in a few regions continued. The Moscow City's share increased, with the number of regions contributing at least 1 percent of the country's taxes falling from 20 to 17.

The changes in the position of the contributors to the budget is also interesting. Khanty-Mansi dropped from second to fifth place. Sverdlovsk's share was effectively cut

in half. In contrast, Krasnoyarsk's share increased from 1.28 to 2.23 percent, knocking Perm out of 11th place.

PLEASE NOTE: To view the tables properly on your computer screen, set the font for your e-mail reader to 10pt. Courier (or any other non-proportional spaced font).

Table 1. Regions Which Contribute the Greatest Share of Taxes to the Federal Budget

Region	Share for 5 mon. 1998, %	Region	Share for 5 mon. 1999, %
Moscow city	33.03	Moscow city	37.57
Khanty-Man.	6.13	Moscow Obl.	5.20
Moscow Obl.	5.54	St. Pete	4.80
St. Pete	4.10	Samara	3.50
Sverdlovsk	3.89	Khanty-Man.	3.40
Samara	3.60	Krasnoyarsk	2.23
Yamal-Nenets	2.16	Nizhnii Nov.	1.98
Nizhnii Nov.	2.14	Yamal-Nenets	1.96
Krasnodar	1.79	Krasnodar	
	1.95		

The views of the author are her own and are not necessarily shared by the Russian Government Center for Economic Reform.

LOCAL GOVERNMENT

"LOCAL SELF-GOVERNMENT" OR LOCAL POLITICAL CONTROL IN RUSSIA? THE CASE OF BASHKORTOSTAN

by Tomila Lankina, Oxford University

UFA - From the time of De Toqueville local community activism has been regarded as one of the central tenets of a healthy democracy. As some scholars have argued, even where an appropriate political culture is lacking, local self-governing institutions can foster participatory attitudes, the sense of efficacy, and civic and political responsibility (See Robert Putnam, *Making Democracy Work*). In Russia, Gorbachev's call for return of "all power to the soviets" initiated a decade of efforts to reinvigorate local self-government (LSG) culminating in the 1995 Russian federal law. Yet, problems of LSG continue to abound and are well known. Analysts point to weak budgetary powers, conflicts over taxation rights, unclear delimitation of powers between regional and local bodies as key issues which hamper effective economic and administrative management of the locales. In Russia, however, the very Toquevilian concept of civic and political participation has been turned on its head. The republic of Bashkortostan exemplifies how local self-governing institutions have not only failed to live up to their participatory standards, but are effectively used as means of total control over local civic and political activism, indeed over all aspects of public life.

Bashkortostan is not normally associated with the virtues of democracy and human rights. The Murtaza Rakhimov regime swiftly does away with any opposition stirrings under the banner of the need to fight "ethnic and political extremism," to "preserve social harmony" in the context of the republic's peculiar ethnic composition (Bashkirs officially comprise only 21.9 percent of the population, while Tatars are 28.4 percent and ethnic Russians 39.3 percent, according to the 1989 census). It is the republic's municipal institutions that are charged with the furtherance of this line.

Bashkortostan remains one of the few regions where the republic chief executive appoints heads of administrations of all levels, except in some villages (*selo*). It is argued that these appointed figures derive democratic legitimacy from their passage through three "purgatories:" after the president decrees their appointment, they have yet to be popularly elected as deputies of the relevant soviets. The soviets then have to elect them as chairmen. Finally, they have to be elected to the upper chamber of the Bashkir legislature, the Kurultay. It is no accident that virtually none of these appointees has failed to win the "credit of popular trust," smoothly passing all the three stages. Local critics maintain that no effort is spared to ensure the victory of the candidate loyal to the Rakhimov regime -- from gerrymandering, to intimidation of electors, to plain electoral fraud. This system of a strict top-bottom vertical executive subordination has been curiously labeled local government (*mestnoe gosudarstvennoe upravlenie*) as opposed to local self-government (*mestnoe samo-upravlenie*).

Rather than being simply strong on the executive side, the system ensures virtual subordination of the representative bodies to the key local executive (On this issue, see Leonid Smirnyagin, "Razdeleniye vlastey po-rossiyski," *EWI Rossiiskii Regionalnyi Byulleten*, 28 May 1999). The soviets work on a part-time basis, meeting for sessions quarterly, while much of the decision-making is done by the full-time executive staff, whose key figures are appointed by the head of administration. While the republic law stipulates that any one of the deputies can be elected as soviet chair, in practice in all but one or two areas the head of administration combines the post with that of soviet chair. This much-criticized practice of fusing the executive and legislative branches was set in 1992. Yet, even with this arrangement, the very composition of the 1990 local soviets ensured a measure of independence for the representative bodies. Take the Ufa soviet, for example. The 'noisy' 200-strong soviet boasted a significant number of representatives of the intelligentsia: teachers, doctors, engineers, and university professors. In the early 1990s these soviet deputies took an active political stand on such issues as the republic's sovereignty declaration, constitution-drafting, and the proposed language law, exposing nationalism as the revanche of the nomenklatura. As a former deputy put it, "the soviet was the conscience of the city" (Personal interview with Yevgeniy Isayev, 16 June 1999, Ufa). The collapse of the CPSU ensured that there was no structure, which would check soviet deputy activism within the otherwise independent representative body.

The brief period of soviet independence ended when the notorious nomenklatura system was resuscitated from soviet history in the form of a 1994 Rakhimov decree on cadre policy. Nominally independent, a vast majority of the scaled down Ufa and other soviets are now composed of *kontraktniki*, people whose livelihood relies on short-term 1-3 year contracts with local administrations, i.e. executive arms of the municipal bodies. Their main jobs are those of school directors, factory managers, heads of medical

institutions, etc. Their "work qualities" *delovye kachestva* -- a euphemism for regime loyalty -- are carefully scrutinized by an officer in charge of cadre policy with the status of deputy head of administration. The office, a duplicate of the former first or second secretary of the oblast, region, or city party committee in charge of the nomenklatura, maintains cadre files for virtually all public posts within the municipality -- from director of a tiny municipal shop, to police chief, to school principal. In this semi-socialist economy, the nomenklatura also includes heads of collective farms, whom the cadre officer "recommends" to the kolkhoz collective, and many of the privatized enterprises in which the state continues to own a large stake. Both of these categories are also well represented in the local soviets' deputy corps. The political role of these bodies is evident from last years' republic presidential elections. According to the opposition candidates' aides, campaign activists were prohibited from collecting the required signatures in the town of Chakmagush. The local deputy chair of the region soviet informed them of the soviet's unanimous decision to support Rakhimov, hence no signature collecting would be permitted in the region. When I visited the town of Chakmagush in June, many people I spoke to in this largely Tatar-speaking region privately admitted their sympathies for the Tatar candidate Mirgazyamov, whom Rakhimov blocked from entering the race.

Executive control over the soviets is but one element in the system of institutional suppression of local initiative in matters that might contradict the regime. Local administrations are charged with registering public associations operating locally. They have the power to sanction or deny the right to hold meetings, demonstrations or other mass acts. Finally, they have effective control over the dissemination of information. While seemingly trivial, this authority gives the municipalities substantial gate-keeping power. In the early 1990s this same authority in the republics allowed the soviets to support democratically-oriented public associations and rally masses against conservative republic regimes, most notably during and in the aftermath of the August coup. One might infer that it is this authority that has most recently allowed Stanislav Derev, the popularly elected mayor of Cherkessk, to mobilize thousands of people in Karachaevo-Cherkesiya's capital. In contrast, present-day Bashkortostan's municipalities have elevated into an art form the turning of potential political issues into non-issues. An illustration is the suppression of Tatar public protests against the exclusion of Tatar as one of the republic's official languages in the recently adopted language law. A Tatar activist recalls his organization's efforts to get authorization for this January's protest demonstration in Ufa: "At first we did not get a sanction ... for example, ... the Sovetskii region administration explained the refusal allegedly on the grounds that they do not have such problems. One of the pickets we planned was by the Ufa department store [a central location] and ... this is the answer they [the administration] gave us: the Ufa Department store and the language law are not in any way connected, hence they prohibited the holding of the picket." After a series of similar refusals, an authorization was obtained from one of the Ufa district administrations. Yet, according to the organizers of the event, even then the location that they were offered was the least convenient one from the point of view of access. To add insult to injury, the operation of the main city bus that goes there was mysteriously suspended two hours before the demonstration, a "coincidence" likewise attributed to the omnipotent city administration.

The editor of the opposition Rus's *Otechestvo* laments municipal control over information: "We cannot, for example, distribute [our material] via the communications

system, such as the post office or *Soyuzpechat'*, because they just refuse to take it from us, that's all... we cannot organize subscriptions for that very same reason, we cannot even print our paper in the republic because none of the printing houses agree to take it" (Personal interview with Sergey Kuznetsov, 12 June 1999, Ufa).

Thus, local self-government Bashkir-style provides a template for political control. Rather than bottom-up means of community influence over local and republic affairs, these institutions have conveniently replaced the defunct party structures with their strict top-bottom hierarchy of democratic centralism. The "efficient" operation of the system leaves no space for virtually any autonomy of the society, or the effective representation or articulation of interests.

On 4 March 1999, the federal Constitutional Court ruled unconstitutional the practice of appointing heads of local administrations in Bashkortostan (Otechestvo, 14 June). In view of this ruling, the republic spin-doctors are now actively seeking out new labels for the old system, or cosmetic changes that would essentially leave the system intact. One idea is to bestow symbolic figurehead functions on the city mayor, if he is to be elected, while continuing to appoint municipal executives with real power. Even should the court decision be carried out to the letter, it remains to be seen if local self-government will rise up to its true literal meaning or, if as regime functionaries like to triumphantly point out, there will always be other levers to ensure municipal submission. The carrot and stick always work: except for Ufa, virtually all localities are subsidized, gratefully milking the republican budget.

REPORT FROM THE FIELD

BRYANSK AND SMOLENSK: TWO RATHER DIFFERENT "RED BELT" REGIONS

by Jean-Charles Lallemand, National Foundation for Political Science, Paris

BRYANSK - SMOLENSK - PARIS – The voting records of Bryansk and Smolensk oblasts show that these regions are clearly members of the so-called "Red Belt." In the December 1995 State Duma elections, the Communist Party (KPRF) won more than 32 percent of the vote in Smolensk Oblast and more than 35 percent in Bryansk Oblast. Moreover, only communist candidates won in the State Duma single-member districts in each region. In the second round of the presidential elections on 3 July 1996, Communist Party leader Gennadii Zyuganov took 56.5 and 59.5 percent of the votes respectively. The governors of both regions were elected with Communist support. Despite these similarities, on the eve of a new round of federal elections, the two regions present different pictures of the "Red Belt" and its patterns of life.

Quiet between the Electoral Storms

Between gubernatorial elections, which are now the main political event in the provinces, the ruling elite has the opportunity to consolidate its ranks. Smolensk Governor Aleksandr Prokhorov, the former mayor of Smolensk was elected as the region's top leader a year ago (see *EWI Russian Regional Report*, 8 October 1998), and the regional

political situation is now very calm. The power elite is in working order and the governor has established a good relationship with the Smolensk mayor's office, where his former first deputy has replaced him. Observers believe that the new team is more dynamic than last one. Even if the provincial leaders seem just as authoritarian and self-assured as their predecessors, they have a new style of management. "Young wolves" from the Komsomol and municipal apparatus, wearing expensive suits, cravats and European shoes have replaced the traditional paternalist figures, who sloppily undid their shirt-collar and favored Soviet-style shoes.

The "old-guard," which was made up of directors from large industrial enterprises and still had some influence under the former governor, has now been marginalized. Only a small number of the most successful businessmen (including representatives of the old and new generations) are linked to the very core of the provincial ruling elite. Their ranks include: Yuri Rebrik, the general director of Kristall, the rich diamond-cutting factory, which provides 70 percent of the oblast's export income; Sergei Kolesnikov, the young general director of the regional vodka factory Bacchus, which provides 70 percent of the provincial budget's real money income; or Valentin Shchukin, a friend of the governor from the Komsomol and a millionaire entrepreneur who runs a "local consortium of small factories and businesses." Shchukin has become the governor's aide for economic questions and recently had a favorable profile in the Moscow journal *Ekspert* (28 June).

Promoting external economic ties is one of the Smolensk Oblast administration's top priorities. Yuri Balbyshkin, a Prokhorov ally who worked with him in the mayor's office and is said to be a behind-the-scenes brain trust, is in charge of regional external economic policy. Balbyshkin and First Deputy Governor Sergei Antufyev are also said to be the de facto rulers of the oblast when Prokhorov is in Moscow. The new team is most proud of its ability to implement a large cooperation program with Lukashenka's Belarus and develop a number of joint Belarusian-Russian firms, participate in international exhibitions such as one in Byalistok (Poland) in mid-June 1999; and the opening of a permanent oblast trade representative office on Cyprus in cooperation with a dozen other Russian regions. However this "dynamism" is mainly focused on meeting the interests of the ruling elite rather than the population at large. As a consequence, the population has not reacted positively to the end of conflict between the governor and mayor's offices since Prokhorov's victory. Many believe that now the regional leaders are paying less attention to social welfare policies.

In Bryansk, Communist Governor Yurii Lodkin was elected in December 1996. The low mark of political activity in Bryansk and the routine character of the political scene was evidenced in 1998, in the middle of the governor's term. Last year, only the August economic crash stirred up Bryansk ruling elite. Among signs of the governor's increasing power, Lodkin became the deputy chairman of the Executive Committee of the Russo-Belarusian Union in March 1999 (a job previously held by the former Smolensk governor).

The Communist Party apparatus (KPRF Obkom) is far more integrated into the power structures and in the decision-making processes in Bryansk Oblast than in Smolensk. In Bryansk, one of Russia's poorest regions, there are no noticeable prosperous companies. Therefore, the new business elite, as a social group, has less influence than in Smolensk. Here, the KPRF Obkom sometimes serves as a referee in political disputes between the regional and municipal executive authorities. The Communists and their

allies occupy two thirds of the seats in the Oblast Duma, 28 of 32 seats in the Bryansk City Council, and similar majorities in the other district (raion) soviets. The KPRF Obkom claims to have around 10,000 permanent members, many more than other political organizations (5,000 for Zhirinovskiy's party, 3,500 for Otechestvo, and 200-400 for each of the "pro-reforms" organizations). The decision-making power among Bryansk's ruling elite is divided according to a triangle: Governor Lodkin at the top, Alexander Shulga, the First Secretary of the KPRF Obkom and deputy chairman of the oblast assembly, and Alexander Blakitny, the Bryansk City Council Chairman.

Since March 1999, regional leaders have effectively abolished the concept of local self-government in the region. All elected mayors and rural leaders have been removed from office by local soviets, which have themselves arbitrarily appointed new, or sometimes confirmed former, leaders. The oblast administration, the KPRF Obkom and soviets claimed that they had to take these steps in order to reduce the amount of money spent on elections. The appointment of a new Bryansk mayor (a member of the KPRF who directed the Bryansk branch of the Rossiiskii Kredit Bank between 1994 and 1997) by the City Council following the resignation of his predecessor was a big scandal in Spring 1999. Several other candidates from non-Communist parties interested in the job complained. Moreover, the oblast elite likes to promote "territorial civil communitarian self-government," as a means of undermining any real municipal self-government. They also intend to merge cities with the surrounding districts (such as Bryansk, Klintsey or Novozybkov), in order to "simplify provincial management."

In both Smolensk and Bryansk oblasts, the mass media is increasingly under the control of the provincial ruling circles. State regional TV channels and radio stations have always been very close to regional administrations. Still, local affiliates of some All-Russian radio stations have appeared, such as Europa-Plus and Russkoe Radio. Yet few newspapers can be considered independent from the incumbent governors and surrounding elites. In Smolensk, the moribund Soviet-style "Rabochii Put," which always supports the current acting governor, has been partially bought by the Kristall factory; while the editors of the "Smolenskies Gubernskie Vedomosti," symbolic of the "new regional press" that appeared in the 1990s, is located in the Kristall Business Center and displays a lot of "Kristall gadgets" (calendars, pens, notebooks, etc.). The paper has openly received a "diploma" of gratitude from Governor Prokhorov... The effect of the lack of open competition among elite is also reflected in the reduced quality of the Smolensk newspapers. In any case, Smolensk rulers, who came to power recently, do not seem to pay much attention to public opinion, and prefer less transparency about their economic activities.

In Bryansk, on the other hand, control of the mass media is more in dispute, and remains unsolved for the moment. The local elite's desire to expand its control over the mass media is not only stimulated by the up-coming federal elections, but also, and may be above all, by the up-coming gubernatorial elections in December 2000. For two years Governor Lodkin has used all possible means of pressure (fiscal, economic, legal) against independent papers which criticize his leadership. He has barred some papers access to the region's only printing plant, which the oblast administration owns. While the independent papers are dying, each branch of the authorities (the regional administration, regional assembly, mayor's office, Bryansk City Council, Bryansk urban districts, etc) have been publishing their own newspapers or bulletins. The provincial leadership in

Bryansk is even more politicized (even if not really ideologized) than in Smolensk and tries harder to "conquer" public opinion using such classic means as party propaganda. The weekly *Bryanskoe Vremya*, which for years has been learning to live in market conditions without subsidies from governors, is actually the last independent socio-political newspaper left.

A new political activism

Despite the de facto one-party monopoly in the Bryansk regional leadership, the political landscape is not completely monolithic. The total dominance of the Communists has stimulated the opposition parties and civil society organizations into a new wave of political activism. Even Governor Lodkin himself has begun to distance himself from the KPRF leadership to impose his own views.

An interesting example of Lodkin's tactics is the establishment of a regional branch of Moscow Mayor Yurii Luzhkov's Otechestvo in Bryansk. Lodkin suggested to Luzhkov that his ally Alexander Salov set up the regional branch. Actually, Salov, who was a member of the Bryansk KPRF until the end of 1998, is the director of the only private firm which obtained in December 1997 the governor's special accreditation to sell all alcoholic beverages imported to Bryansk within the province. Moreover Governor Lodkin and the "vodka oligarch" Salov had founded a regional private radio station ("Chistie Klyuchi") one year ago. They celebrated the radio station's first birthday in mid-June 1999 in Bryansk, organizing a large public show. As a result, in Bryansk, the KPRF and Otechestvo seem to be two parts of the same regional elite. Nevertheless, one of the Communist Party leaders, Valentin Kuptsov came to Bryansk in the middle of June to remind the local Communist elite that Luzhkov's Otechestvo must be considered the main opponent to Zyuganov's KPRF in the next federal elections.

The reformist opposition parties (Russia's Democratic Choice, Yabloko, Our Home is Russia, etc.) are now experiencing a kind of revival. Even if they have very few permanent members, they intend to capture all of the protest votes cast against Lodkin. According to several leaders of these organizations, Lodkin is losing legitimacy as a leader. While their liberal and democratic mottos sounded too abstract and idealistic during the 1990s, they now present themselves more concretely as defending all citizens against the abuse of power by Lodkin's administration. They have gained support from several businessmen, who are angry about the unfair regulations adopted by the oblast administration. Therefore, the leader of Bryansk's Russia's Democratic Choice, Lyudmila Komogortseva, has acquired a good reputation in the central Moscow apparatus of her party for leading the struggle against the Communists. She will run the Pravoe Delo campaign for the "Red Belt" provinces. Moreover, a handful of independent members in the Bryansk municipal soviet have joined the Yabloko branch, which did not exist when they were elected in December 1996.

The Vsyia Rossiya Bryansk branch also has a chance of doing well in the December parliamentary elections. The Vsyia Rossiya Bryansk leadership presents itself as moderate, even if firmly opposed to Lodkin's leadership. The chairman is Oleg Shenkarev, the first secretary of the KPRF Obkom (until 1996), who resigned after central KPRF apparatus had decided to endorse Lodkin's candidacy (and not his) in the gubernatorial elections. He was twice elected to the State Duma in a single-mandate

constituency, with Communist support, in 1993 and 1995. He has good ties with Semago in the State Duma and hopes to hold onto his Duma seat, but now as one of Lodkin's main opponents (see *EWI Russian Regional Report*, 8 July). Moreover, Sergei Maslov, the deputy chairman of *Vsya Rossiya's* Bryansk chapter is also a local well-known figure. He is running an organization of retired officers that criticizes the way the oblast administration handles its relations with veterans.

All the leaders of those opposition organizations claim that they intend to set up a large alliance to put forward a joint candidate in the single-member districts to compete against the candidate from the pro-Communist bloc. They assert that they now have enough members to control the electoral processes not only in the large cities, but also in most parts of the Bryansk countryside as well.

In Smolensk, all political parties and movements have far less influence over the current provincial life than in Bryansk. Neither the nebulous "democratic" organizations, nor the KPRF (represented in the oblast assembly by one third of deputies) are visible on the local public arena. So, Governor Prokhorov, who was elected in May 1998 with KPRF support even though he was not a member of the party, made it clear upon his election that he does not feel bound to the Communists.

Alexander Prokhorov has tried to obtain favors from Luzhkov. Smolensk Oblast has signed accords with Moscow to improve the management of the two regional branches of the ZIL vehicle factory. Shortly after the August crisis, Prokhorov campaigned for Luzhkov's candidacy to the post of Prime minister. Therefore, a big rivalry (with psycho-dramatic accents) has appeared in Smolensk over leading Luzhkov's *Otechestvo* local branch (see *EWI Russian Regional Report*, 11 March 1999). The Smolensk branch was actually founded in the Spring of 1999 by Mikhail Zysmanov, the Smolensk mayor (1992-1997) who attended the All-Russian *Otechestvo* congress in Yaroslavl. In fact, during gubernatorial elections in 1998, Zysmanov was chief of the campaign staff for the liberal candidate who opposed both the former incumbent and current governor. With a marked anti-Communist bias, he wanted the *Otechestvo* branch to form an alliance with *Yabloko*.

V. Cherepovsky, a Prokhorov ally who seeks to lead the Smolensk *Otechestvo* branch has questioned Zysmanov's ability to manage the movement. He argued that Zysmanov, was no longer popular and has no personal support among "serious people" (meaning entrepreneurs, bankers, and youth organizations). Eventually, Zysmanov was outcast from the movement in the end of June, but the future of *Otechestvo* in Smolensk is unclear. An alliance or even a merger with the local branch of Vladimir Brintsalov's Russian Socialist party is said to be likely. Brintsalov, the pharmaceutical and vodka magnate who owns 6 of the 11 alcohol factories in Smolensk Oblast, visited the province in mid-June. After meeting with top officials of the regional administration, he declared that he intends to put forward entrepreneurs as candidates in several provinces, in order to form his own faction in the State Duma.

More generally, in Smolensk businessmen are said to be the most likely winners in December's elections. The political parties would be so discredited, that, for the electorate, voting for "money power" would seem now as the only efficient choice. By-elections to the Oblast Duma held in November 1998 revealed such a common bias. Yurii Rebrik, the new general director of the Kristall diamond-cutting factory, was elected to the seat previously occupied by Alexander Shkadov, the former director of the factory

who was murdered in August 1998. The new director of the Dorogobuzh fertilizer factory (20 percent of the oblast's export income) was elected to the seat held by his predecessor, nominated as deputy governor for agriculture in June 1998. And the director of vodka factory Bacchus won the seat previously held by Sergey Antufev, who became first deputy governor after Prokhorov's election.

So, today in Smolensk, the best indicators of the intensity of the political stakes and up-coming rivalries on the eve of elections to State Duma are probably the increasing number of articles paid for in the local papers promoting one or another firm director, rather than leaflets from moribund parties, or meaningless speeches by public officials describing their recent activities. Therefore, despite all of the elites preparations for the next elections, whether in Bryansk with a de facto "one-party system," or in Smolensk with a "no-party system" of leadership, regional politics and society seem less and less open.

Jean-Charles Lallemand's previous article for the RRR was "Who rules Smolensk Oblast?" (8 October 1998). He is writing his doctorate dissertation in political sociology at the National Foundation for Political Science (FNPS) in Paris. He is studying the changes in Russia's statehood and regional governance since 1991, focusing in particular on Smolensk and Bryansk oblasts. He participates in the study group coordinated by Professor Marie Mendras on Russian regional matters at the Center of International Studies and Research in Paris (CERI), under FNPS. To contact this study group, send an e-mail to: marie.mendras@ceri.sciences-po.fr

NEW BOOKS

Mikhail A. Alexseev, ed. *Center-Periphery Conflict in Post-Soviet Russia: A Federation Imperiled* (New York: St. Martin's Press, 1999).

An excerpt from the concluding chapter: "Asymmetric Russia: Promises and Dangers" by Mikhail A. Alexseev

The viability of Russia as a single market and a single state will increasingly depend on ties across regions, rather than on ties between regions and Moscow. In this respect, Primakov's appointment of leaders of eight regional associations in September 1998 as superministers with a voice in cabinet decisions is likely to encourage the strengthening of lateral ties among regions. Given this greater opportunity to participate in federal decision making, Russia's regional elites will have higher stakes in governance of Russia as a single state. Moreover, increased access to federal decision making is likely to increase the perception among regional leaders within each association that they can extract better economic terms from Moscow through greater interregional cooperation. With the "metropolis regions" in the associations standing to gain greater political and economic leverage over each individual region—initially at Moscow's expense—chances will increase that a stronger Russia eventually will emerge out of politically and economically stronger—and better integrated—regions.

This change can only materialize in an incremental, evolutionary fashion. The case studies imply that a stronger interregional fabric in Russia is badly needed. In every

region-even, to a degree, in secessionist Chechnya-we have seen that regional political leaders have strong opportunities and incentives for political and economic bargaining with Moscow. However, they face conflicting rules and weak organizations that set the criteria for dispute resolution between the center and the provinces. Bargaining without institutions makes center-periphery politics in Russia inherently volatile by disproportionately raising the influence of individual leaders and their ideological orientations and commitment. Consider the difference Dudayev and Maskhadov have made in Chechnya, as opposed to Shaymiev in Tatarstan, Nazdratenko in Vladivostok, Magomedov in Dagestan, or Sherig Ool-Oorzhak in Tyva.

Paradoxically, post-Soviet Russia has held together, to a great measure, precisely because the federal institutions and ideology have been weak. As a completely new and undefined entity-still without words to its national anthem-the Russian Federation has been open to capture by a great variety of interests, making bargaining more attractive than separatism. Indeed, never before in history has Russia existed within the state borders it inherited after the Soviet collapse. With ideologies, incentives, and opportunities so confusing that even a team of Russia's one hundred most prominent scholars selected by the Kremlin recently failed to define the meaning of Russian statehood, it is little wonder that separatist wannabes are confused as well. Save in the North Caucasus, they have probably already lost their windows of opportunity. As Hanson concluded, "the absence of a coherent state ideology underlying Yeltsin's government has produced what is arguably a more typical pattern of center-periphery bargaining in post-communist Russia, in which elites on both sides compete purely strategically while committed ideologues are, for the time being, marginalized." Russia therefore will most likely be dealing less with "matryoshka nationalism" than with the challenges of regional differentiation. This differentiation will also embrace a wider--and perhaps alarming--spectrum of ideologies, personalities, and bargaining strategies than communism allowed and than we are used to in Western democracies. A vision of regional Russia requires a strong tolerance for a diversity of extremes, as some regions are likely to see the rise to power of mini-Lincolns, while others could be under mini-Saddam Husseins, mini-Brezhnevs, or mini-de Gaulles. That Russia will be able to live with this wide political and ideological differentiation among regions has been illustrated by the ability of nationalists, communists, pro-government "manager-politicians," and liberal reformers to work together in Russia's lower house of parliament. The coalition government of Prime Minister Primakov formed in late 1998 will further test this potential. In Russia's periphery, regions such as Ulyanovsk--where the Soviet rationing system has persisted--have learned to coexist and cooperate since the Soviet collapse with neighboring regions such as Saratov, where the leaders went further on economic reforms than Moscow and allowed the buying and selling of land. Russian ethnic regions in the south, such as Stavropol and Rostov, sent their own representatives to the celebration of the two hundredth anniversary of Imam Shamil in Makhachkala, Dagestan, in the autumn of 1997. The Russian federal government did not send a delegation. For its part, Krasnodar deals directly with Chechnya selling it electricity.

Differentiation-especially along a wide ideological spectrum--will strain Russia's governability. As a result, Russia will be under threat of gradual disintegration, with its regions pursuing political and economic isolationism and perhaps even assuming control over parts of the Russian military stationed on their territory. While this threat is different

than the threat of separatism, the difference concerns largely the process (dissolution) by which the same outcome (state collapse) may obtain. Therefore, some robust correlates of separatism identified in this study—namely, the ones dealing with institutions, ideology, and interactions—are likely to characterize also the process of political disintegration, if the Russian Federation, indeed, undergoes this process.

If instances of autarky in the Russian regions—such as the introduction of local currencies, setting up of independent gold reserves, or imposition of the state of emergency—are indeed to evolve into state disintegration, a number of critical developments will have to be observed:

1. The emergence of parties or movements with ethnopolitical or regionalist agendas and their rise to commanding positions within existing political institutions or within new institutions of their own making that displace the existing ones. (The rise of Russian nationalist parties within the ethnic Russian regions will increase these regions' proclivity for autarky, while at the same time giving political players in ethnically non-Russian regions a distinctly anti-Russian agenda for political mobilization.)
2. Increasing political interactions and ideological consolidation among the Russian ethnic regions, especially in Russia's European core, creating an identifiable political and ideological center (currently lacking in Russia) from which non-Russian regions could separate themselves.
3. The emergence of authoritarian political designs among these movements, such as the emergence of movements calling for the abolition of the Federation Council, power-sharing treaties, and the federalist provisions of the constitution. (One will then also need to register increasing refusal of regional political leaders to participate in the federal political institutions—in addition to waging turf battles over political control of local economic assets with the federal bureaucracy.)
4. Significant unilateral, non-consensual moves by Moscow to consolidate its political and economic control in the regions with reliance on coercive power.

Whereas the erosion of Moscow's capacity to collect taxes and finance the armed forces, police and security services increases the possibility that control over these institutions may shift to the regions, such an outcome is by no means certain. First of all, the regions are likely to find—and Primorskiy Kray leaders have already discovered that the hard way—that maintaining the armed forces is prohibitively costly. If anything, to make economic sense, a switch from federal to regional funding sources will require substantial cutbacks in the armed forces, something that would automatically reduce their political significance. This also means that Moscow will need to maintain control over a lesser critical mass of agencies wielding coercive power, such as police or security services, to maintain its position of strength in the regions despite its declining control over the army.

However, assuming that the current financial crisis strikes deeper and faster than even the skeptics assume, a number of processes will still have to unfold before the army is regionalized. One would need to watch for the rise of political cells that subscribe to anti-Russian and/or anti-federal ideologies within army units; diversion of weapons from army, police, and security services to independent political groups (both Russian nationalist and separatist ones); and changes in the system of appointments and subordination of military commanders from Moscow to the regional administrations. The present case studies suggest that such conversion would require the rise of

nongovernmental regionalist extremist groups seeking power or the rise of elites with strong regionalist agendas within existing political institutions in the regions. So far, such groups and elites have not been very prominent in the Russian regions, and instances where the army has been financed from regional budgets are yet to lead to significant changes in the chain of military command centered in Moscow. If the present conditions persist, a breakdown in federal financing will not necessarily-or speedily-lead to the fragmentation of political control over the army. Therefore, the ability of the federal center not to provoke various regional actors into taking strongly confrontational position will be one of the key elements in preventing the dangerous regionalization of the Russian armed forces.

Even though regionalism adds a new dimension to the problem of governance in Russia, regional differentiation, in principle, does not pose a mortal threat to states. Whereas the threat of fragmentation is real, differentiation opens the window of opportunity for stable and cooperative institutions regulating center-periphery relations to evolve gradually from the ground up, as was the case in the United States (that is, in a manner running contrary to the centuries-long tradition of governance in Russia). From this perspective, confederation-a word that currently strikes fear in the Kremlin--will be a much lesser peril than a botched coercive strategy of recentralization from above, and it may, in fact, be a yet underappreciated blessing for Russia.

Differentiation, after all, is a necessary condition and a starting point for genuine consensus politics, both at the center and between the center and the regions. Learning to live with regional differentiation, however bizarre and extreme, will therefore set Russia on an evolutionary path of reform and development and over time will help to reduce the likelihood of massive and violent social and political cataclysms. Navigating between these challenges and promises will make the position of the Kremlin leaders an unenviable one, especially if they attempt to reinstate institutions for top-down political control across the regions. Yet as long as differentiation is managed wisely, it will favor a more flexible Russia than the traditional top-down "matryoshka" model, and it will help to pave the way for a Russia that is more democratic, innovative, and vibrant in the longer run.

REGIONAL LINKS

Moscow Mayor Yurii Luzhkov's Otechestvo (<http://www.luzhkov-otechestvo.ru/>) This site contains extensive information about the party, including the program, charter, leadership structure, regional branches, and materials from the most recent congress in Yaroslavl.

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EastWest Institute
Russian Regional Report
Vol. 4, No. 29, 5 August 1999

Russian Cohesion Index: -29 (down 5 this week)

Disintegration.....T..L.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

----- Most residents of Sakhalin Oblast are not benefiting from the development of the region's oil resources. Japanese demand for Sakhalin gas may be minimal, especially since Japan potentially could meet more of its energy needs from new fuel sources in Australia and Indonesia. Japanese utilities are also wary of signing agreements with Russian providers because of the country's instability. (-3)

----- The situation in the North Caucasus region is continuing to deteriorate. Events in Karachaevo-Cherkessiya, North Osetiya/Ingushetiya, and Chechnya/Dagestan reflect the weakness of the federal government in developing a coherent response to the challenges. (-2)

----- The shortage of gasoline is causing increasing numbers of problems around the country. There are long lines at many gas stations, utilities don't always have enough fuel to meet electricity demands, and some agricultural regions cannot operate the farm equipment required to bring in the harvest. These economic problems create fertile grounds for future political tension. (-1)

----- Recent meetings between the country's ministers and governors show that the two groups of officials see the country's problems differently, partly because the governors are elected for four years, while the ministers are likely to only be in office for six months. If these trends continue, improving center-periphery relations will be increasingly difficult. (-1)

----- Arkhangelsk is promoting better ties with Tatarstan to ensure fuel deliveries during the coming winters. While such interaction is generally good, it is driven by Arkhangelsk's inability to get along with its immediate energy-rich neighbors, the Nenets Autonomous Okrug and Komi Republic. It would be better if Arkhangelsk focused on working out its differences with its neighbors, rather than seeking to avoid them. (-1)

+++++ Russian citizens are using the Internet to spread information about stories, such as the recent outbreak of a mysterious virus in Rostov, that have not already made it into the

media. The media is then picking up on this information and transmitting it through more traditional sources. Better information should lead to better policies. (+3)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Special Conference Report

Pattern Emerges in Regional Development

Patterns of Regional Development

On Eve of Sverdlovsk Elections, Chernetskii Faces Tough Questions...

...While Rossel Attacks Local Government

Primorskii Duma Backs Nazdratenko

Political Economy

National Gasoline Shortage Hurts Nizhnii Novgorod

Center-Periphery Relations

Ministers, Governors Agree on Little at Black Earth Association Meeting

Elections 1999/2000

Pravoe Delo Road Show Hits Samara

The Geography of Regional Political Coalitions

Interregional Interaction

Tatarstan Delegation Visits Arkhangelsk

Media Issues

Web Site Spreads Word about Rostov Virus

Foreign Ties

Kaliningrad's Gorbenko Meets Lukashenko

Regional Links

Russian Far East-US West Coast

Advertisements

EWI Handbook of Russian Regional Executives

*****Completely Updated as of 1 August 1999*****

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BREAKING NEWS

POLITICS

DISPUTED ELECTION CONTINUES TO DESTABLIZE KARACHAEVO-CHERKESIYA. On 23 July the Russian Supreme Court overturned the 10 June decision made by the Karachaevo-Cherkesiya Supreme Court confirming the election of Vladimir Semenov to the republican presidency on 17 May (see *EWI Russian Regional Report*, 20 May and 10 June). The Supreme Court ruled that a more thorough investigation of the 1,500 reported electoral violations was necessary, sending the case back to the republican Supreme Court. Following the Russian Court's decision Russian President Boris Yeltsin appointed First Deputy Chairman of the Central Electoral

Commission and former plenipotentiary presidential representative in Chechnya Valentin Vlasov to serve as acting president until a final decision could be made regarding the region's elections. Vlasov, who was held hostage for six months by Chechen kidnapers in 1998, is simultaneously maintaining his post in the Central Electoral Commission.

The republic essentially interpreted the Supreme Court's ruling as a cancellation of the May election, since further investigation of the issue would almost inevitably lead to that end. Russian Prime Minister Sergei Stepashin stated that a new election should be held in the republic. Semenov's opponent in the election, Stanislav Derev, and his supporters, who had met the election's results with massive protests, welcomed the Russian Supreme Court's ruling, and Derev reconfirmed his intentions to run again in a subsequent election.

However, Semenov's followers have taken to the streets in outrage. They are angered by Vlasov's appointment and the appointment of Aleksandr Volkodav, Astrakhan Oblast police chief, as the Minister of Internal Affairs for Karachaevo-Cherkesiya. Volkodav had served in this capacity before and was dismissed in 1995. The Karachai oppose the appointments on the grounds that they are in violation of the Constitution, and demand that Semenov be allowed to take office as a legitimate, popularly-elected president. Immediately following the Supreme Court's decision, demonstrations broke out throughout the republic's Karachai territories. In the city of Karachaevsk people have stopped going to work as a form of political protest, leaving the city's industries completely idle, and even municipal organs, except for police and emergency medical workers, have gone on strike. On 30 July tens of thousands of Karachai gathered in the republic's capital Cherkessk to demand Semenov's recognition as the republic's president. *Nezavisimaya Gazeta* reported on 3 August that more than 200,000 people were participating in protests throughout the region.

In an 3 August interview with *Kommersant Daily*, Vlasov said that he did not know if the legality of his appointment would be examined by the republic's Popular Assembly. When asked to assess the situation in the republic, Vlasov answered, "There should be a lawful evaluation of the electoral campaign. If individuals are responsible for violations, then this should be noted." Regarding the measures taken by law enforcement structures, Vlasov stated, "I have met with the leaders of law enforcement organs. There were elections here and during the elections, as was exposed, there were violations. Someone should answer for these violations. I have an answer from the republic's deputy procurator Naumova--80 criminal acts were committed in connection with the violations. I told him that this information should be revealed to the population."

In the interview, Vlasov avoided the more controversial issues, in particular the ramifications the court's pending decision will have on the region's territorial integrity. The Cherkes, headed by Derev, have threatened to secede from the republic and join neighboring Stavropol Krai if Semenov is allowed to take office, and the very emotional protests the Karachai have staged as of late suggest that if Semenov is not granted the presidency, violence may be the result. Rather than discussing the potential scenarios, Vlasov claimed that the most important issue is that a final decision regarding the election results be adopted. He further stated that, "I am an ordinary citizen of Russia and the law gives me certain responsibilities. I am obliged to execute the court's decision. I don't know what decision the court will make. I have said that as soon as the court's decision is made I will dismiss the cabinet and personally hand over the keys to

the victor." When asked how the situation in Karachaevo-Cherkesiya compared to that of Chechnya, Vlasov answered that he would not discuss such parallels.

OTECHESTVO-VSYA ROSSIYA ANNOUNCE MERGER. On 4 August Moscow Mayor Yurii Luzhkov, leader of the Otechestvo movement, and Vsya Rossiya heads Tatarstan President Mintimer Shaimiev and St. Petersburg Governor Vladimir Yakovlev formally announced their intention to join forces for the upcoming Duma elections in September. A merger between the two organizations has long been expected and appeared practically settled over the past couple of days, as Vsya Rossiya voted unanimously in favor of joining Otechestvo.

The coalition's leader has yet to be named. The new grouping will have a three-person leadership council, with Luzhkov in the first place, Yakovlev in the second spot, and the third position left open, presumably to be filled by former Prime Minister Yevgenii Primakov (*Moscow Times*, 5 August). Luzhkov has been wooing Primakov for several months, yet had made little headway. However, more recently Primakov has shown some interest in joining a broad-based coalition, suggesting that he might consider joining Luzhkov's ranks if they included Shaimiev's group.

A regional movement led by Primakov would satisfy all those involved and not interfere with Luzhkov's presidential ambitions, as the merger between the two groups is strictly for the purpose of winning a Duma majority, as emphasized by Shaimiev. There had been speculation that Prime Minister Sergei Stepashin would head the bloc, but Shaimiev has denied this possibility (www.polit.ru, 4 August).

Shaimiev boasted that the new coalition will win at least 226 of the 450 seats in the Duma (*Kommersant Daily*, 4 August). Shaimiev met with Yeltsin to discuss the new bloc on 4 August. The Kremlin had tried to prevent the merger because it will clearly benefit Luzhkov, the Kremlin's current enemy number one. The Kremlin will undoubtedly continue to seek ways to drive wedges between Luzhkov and the governors.

NORTH CAUCASUS PLAGUED BY THREAT OF INCREASED VIOLENCE.

Given the increased violence witnessed in the North Caucasus in the preceding several days, Russian Minister of Internal Affairs Vladimir Rushailo announced on 3 August that, "We do not feel that we are on the brink of a new war in the North Caucasus." However, *Kommersant Daily* was probably more accurate in commenting on 4 August stating that in reality the war in the North Caucasus has never come to an end. This is certainly the case with mounting tensions erupting in three different hot spots. A recent court decision regarding the controversial May republican presidential elections in Karachaevo-Cherkesiya has sparked widespread social unrest that is unlikely to result in a peaceful settlement (see related story in this issue). Conflict between Ingushetiya and North Osetiya regarding the Prigorodnyi Raion is flaring into the open again, and violence has erupted on the Russo-Chechen border, this time in the western territories of Dagestan. Although the leaders of these regions are looking to Moscow for assistance, they have learned to expect little from the federal government and are increasingly trying to settle matters among themselves.

Violence broke out in the village of Echeda in Dagestan's Tsumadin Raion near Chechnya on 2 August as 60 armed men attacked a police post in the region, *Kommersant Daily* reported on 4 August. The conflict ended only after Russian Ministry of Internal

Affairs troops and helicopters joined the fighting, which left four policemen dead. The Dagestan State Council, having little faith in Moscow to protect its region, has asked permission to form local defense units in the republic. Chechens belonging to the militant Islamic Wahhabi group are being implicated in the attack. From 29-31 July, 13 attacks by Chechen Wahhabis were reported surrounding the Dagestan city of Kizlyar (*Kommersant Daily*, 3 August). Apparently Chechen Wahhabis are trying to expand their terrain by exerting control over the Echeda, Gakko, Gigatl, and Agvali villages in Tsumadin to establish governance by Sharia law (Chechnya is in the process of adopting a new constitution based on Sharia law. For details see *EWI Russian Regional Report*, 12 May). According to *Kommersant Daily*, Echeda has become the center of Wahhabism in Tsumadin. Chechen Wahhabis have given local residents free food, medicine, and clothes on multiple occasions.

Although Chechnya has been the primary trouble spot in the North Caucasus for several years, its relations with the surrounding Russian neighbors has recently become more aggressive. The border between Chechnya and Stavropol has been particularly violent over the past several months, resulting in the deportation of 62 ethnic Chechen families from Stavropol at the end of June (see *EWI Russian Regional Report*, 15 June). These circumstances have served to only further delay the long awaited meeting between Russian President Boris Yeltsin and Chechen President Aslan Maskhadov, which was expected to result in the establishment of better relations between Russia and the separatist region.

Tension has also arisen again between Ingushetiya President Ruslan Aushev and North Osetiya President Aleksandr Dzasokhov regarding the return of Ingush refugees to the Prigorodnyi Raion in North Osetiya. The territory is historically home to the Ingush, who were deported by Stalin in 1944. In January and March 1999 agreements were signed stating that all Ingush refugees would be returned to their homes in the territory by the end of the year. Aushev claims that North Osetiya has not held up to its end of the agreement. He is particularly concerned about 14 Ingush families who recently were not permitted to return to their homes in the Tarskoe village. Aushev has declared that he is prepared to take "all necessary measures to defend the constitutional rights and freedoms" of the Ingush in North Osetiya. He further threatened that the refugees "will go to their homes themselves" if measures for returning them are not adopted (*Nezavisimaya Gazeta*, 3 August). Essentially Aushev is offering Moscow an ultimatum: either intervene on behalf of the refugees or prepare for heightened conflict. At present an Ingush march through Prigorodnyi Raion is being organized, and it is likely to provoke resistance.

EVENK BY-ELECTION MOVED TO SEPTEMBER. By-elections for an open seat in the Evenk Autonomous Okrug legislative assembly, which were supposed to be held on 25 July, have been moved to 26 September. According to the regional electoral committee, the election date had to be moved since thus far only one candidate, pensioner Ayat Sersengaliev, has registered. Originally, three other candidates had registered, including former Federation Council Chairman Vladimir Shumeiko, yet their candidacies were invalidated due to alleged campaign violations (see *EWI Russian Regional Report*, 22 July). Shumeiko announced on 28 July that he intends to contest his registration denial in order to compete in the September by-election. If necessary, Shumeiko is

prepared to take his complaint all the way to the Russian Supreme Court. (*Segodnya*, 29 July)

ECONOMICS

KALININGRAD INCREASES TIES WITH GERMAN REGIONS. On 29 July Kaliningrad Oblast Governor Leonid Gorbenko and Prime Minister of Germany's Brandenburg land Manfred Stolpe signed a protocol for cooperation between the two regions. The agreement foresees cooperation in industry, agriculture, ecology, construction, architecture, science, culture, and the social sphere. (*Kaliningrad News Wire*, 29 July)

GASOLINE SHORTAGE SOURS SUMMER HOLIDAYS. The gasoline shortages that first appeared in St. Petersburg around the May Day holiday (see *EWI Russian Regional Report*, 6 May 1999) and quickly spread to other regions are growing more intense. Krasnodar Krai has been the most severely hit. Over the past month the cost of oil in the region has doubled, and 80 percent of the krai's filling stations have no gasoline. One cause of the krai's shortage was a decrease in the supply of oil from Bashkortostan (*Vremya MN*, 26 July 1999). The problem is particularly grave at this time of year since Krasnodar Krai boasts Russia's top summer vacation spots, including the Black Sea resort town Sochi. *The Moscow Times* reported on 28 July that bus fares in Sochi had increased from 2 to 3 rubles per ride and that a taxi costs twice as much as a comparable ride in Moscow. Other regions in the North Caucasus--Rostov, Volgograd, Stavropol, and Kalmykiya are also experiencing shortages and price hikes. Krasnoyarsk Krai, Kaliningrad, and Vladivostok have fallen victim as well, and Vladivostok has introduced gasoline rationing cards, *The Moscow Times* reported on 30 July.

The gasoline crisis is just part of a larger fuel problem caused by the higher price of oil on the world market making it more lucrative for oil companies to export their products. The lack of fuel has impacted the regions in ways other than gasoline shortages. In particular, many regions have experienced power shortages as there is insufficient fuel to keep generators running. In Krasnodar Krai, power to people's homes is being turned off two hours a day. This situation only exacerbates the difficulties for Sochi's tourist industry.

Ekspert magazine pointed out in its 2 August edition that the gasoline situation has stabilized in other regions such as Moscow, Perm, Saratov, Samara, and Tatarstan, and that this most likely related to these regions' strategic political character in an election year. Moscow and Tatarstan are ruled by the leaders of two influential political movements, Yurii Luzhkov (Otechestvo) and Mintimer Shaimiev (Vsya Rossiya). Samara, Saratov, and Perm house important oil processing factories. *Ekspert* also pointed out that the Tuapsinsk refinery is located in Krasnodar Krai, however it is owned by Rosneft, which sends most of its oil to Omsk's Sibneft for processing, rather than maximizing Tuapsinsk's potential.

CHELYABENERGO CUTS POWER TO RAILWAY. On 28 July Chelyabenergo cut power supplies to several substations along the Sverdlovsk and Kuibyshev lines of the South Ural railway (YuUZhd). The Unified Energy Systems (EES) subsidiary is

allegedly owed 123 million rubles by the railway. According to EES the agreement between YuUZhD and Chelyabenergo provides for the railway to make 35 percent of its payments in cash, but Chelyabenergo did not receive any cash from January to June. According to *Nezavisimaya Gazeta*, EES is now demanding cash payments in full. (*Nezavisimaya Gazeta*, 30 July and *Segodnya*, 29 July)

SPECIAL CONFERENCE REPORT

PATTERN EMERGES IN REGIONAL DEVELOPMENT. From 21-23 July the Slavic Research Center at Hokkaido University, Japan, held a symposium on regional developments in Russia, with a special focus on Sakhalin. Professor Philip Hanson gave the keynote speech, in which he reported the findings of a three-year, European Union-funded project on Russian regional development that he has been heading at the United Kingdom's Birmingham University.

Hanson noted that regional differences have increased sharply since 1991, but he argued that most of the growing inequality is due to the initial shape of the regional economy in 1991 rather than subsequent policy choices by regional elites. The ratio of real income in the richest 10 percent of regions to the poorest 10 percent is now about 4:1. However, the ratio between the richest and poorest households is 12:1, so inequality within regions is three times more important than inequality between regions. Migration from the poorer regions has been an important factor ameliorating the rise of unemployment. He also detects an "agglomeration effect," with more jobs being created in large cities (1 million plus) than in smaller towns.

Despite the inequalities between regions, Hanson noted a consistent albeit sad pattern. Russia is "a bankrupt country composed of mostly bankrupt regions." While most regional leaders still look to Moscow for political support and reassurance, regional dependence on Moscow for money is often exaggerated by Western observers. Hanson noted that federal transfers to the regions amounted to a mere 1.2 percent of GDP in 1995-97 - only a tenth of total regional government revenues, which were 15.5 percent of GDP.

One surprising finding was that some regions that earlier looked well-placed for growth – because they were gateways to Western markets, or because they had natural resource endowments -- did less well than expected. Elites in many gateway regions with external borders (such as Primorye, Krasnodar, and Kaliningrad) have been suspicious of foreign involvement, while resource-rich regions have been vulnerable to shifts in world commodity prices, and to battles over ownership. - Peter Rutland in Hokkaido

PATTERNS OF REGIONAL DEVELOPMENT

ON EVE OF SVERDLOVSK ELECTIONS, CHERNETSKII FACES TOUGH QUESTIONS... In the 29 August Sverdlovsk elections, there will be seven candidates, but the main contest will be between incumbent Eduard Rossel and Yekaterinburg Mayor Arkadii Chernetskii. Rossel is currently leading his main opponent in the polls for several reasons. Rossel has won considerable popular support for his backing of the Ural Expo Arms 99 show which displayed the work of Russian arms producers (see *EWI Russian Regional Investor*, 8 July). Chernetskii, in contrast, had several times expressed his

skepticism about spending the money necessary to sponsor this show. While many of the manufacturers were proud to display their work, Chernetskii has pointed out that the show is unlikely to generate any additional orders in the near future.

Chernetskii instead stressed the importance of his pet project, holding the Fifth International Congress of the Federation of Clubs and Associations of UNESCO, which was held in Yekaterinburg at the same time as the arms expo. Oblast residents saw the expo as being much more important, as later evidenced by the inclusion of Rossel in Prime Minister Sergei Stepashin's delegation traveling to the USA. Rossel did not hide the cost of holding the arms show, but Chernetskii has yet to reveal how much holding the Congress cost the city. This secrecy does not increase the level of confidence in the mayor.

The scandal surrounding the city's healthcare providers has only made the situation worse for Chernetskii. Against the background of wage arrears to many medical personnel in city hospitals, a shortage of gasoline for ambulances, a lack of insulin, and many other problems, the city health department built itself a beautiful new five-story office building. The building cost hundreds of thousands of dollars and was constructed mainly with imported building materials. Chernetskii has so far avoided giving an answer to journalists' questions about how the city managed to pay for the new building. Additionally, the mayor's press secretary has also had to admit that the mayor has a giant two-story home on the edge of the city. Its stonework construction makes it look like a palace in comparison to the surrounding buildings. Chernetskii has lived in this house for several months and this topic is only now becoming a matter of public interest.

Chernetskii is doing little to improve his public image and has reacted heatedly to criticism in the press. During television interviews, he becomes clearly nervous when questioned about these financial improprieties. All this only confirms the difficulty of his situation in the campaign. - Dmitry Strovsky in Yekaterinburg

...WHILE ROSSEL ATTACKS LOCAL GOVERNMENT. Governor Rossel met Prime Minister Sergei Stepashin with great pleasure on 23 July, when Stepashin stopped in Yekaterinburg on the way to the USA. At a meeting of the Urals Economic Association, Rossel proposed a number of ideas on reforming state institutions. The governor suggested that regional governments should be able to take over regional debts to the federal government, apparently giving the regional government control over the insolvent enterprises. He also suggested giving regional administrations the right to control local governments. He would then take away the independence of the oblast capitals, which in most regions donate more money to the oblast budget than they receive in return. Additionally, he would take control of localities that live on subsidies from the oblast budget. Naturally, such a move would put the oblast's mayors under Rossel's direct control, including his main opponent in the gubernatorial elections, Yekaterinburg Mayor Arkadii Chernetskii. Unfortunately for Rossel, federal legislation prevents regional governments from taking control of local governments. - Natalia Mints in Yekaterinburg

PRIMORSKII DUMA BACKS NAZDRATENKO. As the Primorskii Krai governor's elections approach, the different sides are employing a variety of "new electoral technologies." At least that is how local observers ironically describe the ability of the authorities to organize the necessary election results or neutralize unwanted outcomes.

One has only to remember the canceled Vladivostok mayoral elections or the legal wrangling that buried the city Duma elections. Now the main battle between Governor Yevgenii Nazdratenko and the opposition Krai Duma is over the law defining how the gubernatorial elections will be held.

Three weeks ago the governor vetoed the law approved by the Krai Duma for two reasons. First, the Duma version of the law called for holding the elections in two rounds. Past experience has shown that it is harder for the incumbent to win under these conditions than it is to best a host of opponents in the first round. Secondly, the governor did not like the provision which allowed candidates to enter the race by putting up \$35,000 collateral rather than having to collect 30,000 signatures. In the event that the candidate lost, the \$35,000 would be transferred to the oblast budget. The deputies included this provision in the law because they believed that the incumbent can easily collect the necessary signatures and then have a friendly court rule that the signatures collected by his opponents are not valid. Also such a procedure would conceivably open up the race to a Moscow candidate and local observers have suggested that Yabloko leader Grigorii Yavlinskii or Our Home is Russia State Duma faction leader Vladimir Ryzhkov might run. Such outside intervention would make life more difficult for Nazdratenko.

To override the governor's veto, the Krai Duma was supposed to meet on 14 July at an extraordinary session. But the session did not take place because there was no quorum. Practically all deputies in the pro-governor's faction Vozrozhdenie Primorya did not make it to the session, claiming that they were either sick or on a business trip.

When the oblast legislature did meet on 28 July, the results of the voting were sensational. Completely unexpectedly, a majority of the deputies, 17-15, voted for the version of the law supported by Nazdratenko (a one-round election without the possibility of registering candidates by putting up money). Most observers think that the new electoral law guarantees Nazdratenko's victory in the December elections.

Additionally at the 28 July session, 21 of the 39 total deputies signed an expression of no confidence in Krai Duma Speaker Sergei Dudnik, charging that his opposition to the governor prevents a normal dialogue between the executive and legislative authorities. In effect, the previously oppositional Duma unexpectedly came out in support of the governor.

The Krai Duma was supposed to decide Dudnik's fate at a 4 August meeting, however, Dudnik's supporters blocked a decisive vote. During the first half of the day, the Duma was bogged down in arguments, in which Dudnik's supporters demanded the removal of Nazdratenko's supporters from the hall, while seeking to let in voters and the press. After lunch, all of Dudnik's supporters left the hall, depriving the Duma of a quorum. Now it is hard to see how Primorskii Krai's legislature will be able to adopt any legislation. - Yevgenii Popravko in Vladivostok

POLITICAL ECONOMY

NATIONAL GASOLINE SHORTAGE HURTS NIZHNI NOVGOROD. The gasoline shortage affecting motorists across Russia is also being felt in Nizhnii Novgorod (for an overview of the national situation, see the article in Breaking News this week). During the last week, it was impossible to buy 92 octane gasoline at 40 of the oblast's 70

gas stations. Now the oblast is living on state reserves. Governor Ivan Sklyarov warned that the situation is changing every hour. The oblast leaders have signed agreements for the delivery of 4,000 tons of gasoline, but the region only has gas on paper. Gas bought in Chuvashiya has not made it to Nizhnii Novgorod because local authorities there have not authorized the export of the gas from that republic. Appeals to the federal Ministry of Fuel and Energy have not produced any results.

The reasons for the Russian fuel shortage are well known: the rise in the price of oil on international markets has made it extremely profitable to export oil and extremely unprofitable to sell it on local markets, where the prices are lower. But in each region there are additional specific reasons for the crisis.

Until 1999, NORSI-oil was the main refinery working in the Nizhnii Novgorod oil products market. However, during the first six months of this year, the company could not buy oil with its own funds. Now the Russian government has transferred 51 percent of the stock in Nizhnii Novgorod's Norski Oil to Tatneft for a period of three years. The government made this decision at the recommendation of Norski Oil. Tatneft will supply the company with 10 million tons of oil per year and introduce measures for reconstructing the company's oil processing plant. The conditions for the agreement between the two companies will be concluded in the near future (*Segodnya*, 28 July).

While these plans are under way, gasoline prices in the region are already extremely high and if the shortage continues, they could go up limitlessly. The main victim will be the population. Polls show that 64 percent of the population would prefer to have cheap gasoline, but in short supply, rather than expensive gasoline that is readily available.

Some observers believe that gasoline will only be available again on the domestic market when it is sold at world prices. The federal government is benefiting from the current situation because the oil companies are paying higher taxes on the gas they export. However, if the gasoline shortage continues into the fall, the federal government will surely be replaced because of voter anger about the higher prices.

Oil producers say that the main problem is that overall oil output in Russia is falling. Production at old wells is tapering off and new wells are not being opened because the oil companies do not have the funds required to start them. Some warn that in a few years Russia may have to begin importing oil from countries like Kazakhstan and Azerbaijan, which have managed to attract foreign investment to set up new production. - Yury Rodygin in Nizhnii Novgorod

CENTER-PERIPHERY RELATIONS

MINISTERS, GOVERNORS AGREE ON LITTLE AT BLACK EARTH

ASSOCIATION MEETING. First Deputy Prime Minister Nikolai Aksenenko, Unified Energy System (EES) Chairman Anatolii Chubais, and several other ministers and deputy ministers attended the 30 July meeting of the Black Earth interregional association meeting in Kursk. Judging by the official side of the meeting, the participants merely defined the problems facing them rather than coming up with ways to work together in solving them. The main stumbling block is that the governors and ministers have different conceptions of the main problems, such as the energy crisis, promoting culture, and fighting crime, and different ways of addressing them.

Cooperation between the ministers and governors amounted mainly to sharing information rather than any practical action. The inability to get together is logical since the governors were elected for four years, while recent governments have been changed every six months. If any decisions were adopted, they were made informally in the corridors between official sessions.

In the formal speeches, the differences between the ministers and governors were clear. Aksenenko said that the main responsibility of the regions who are members of the association was providing the country with food through the development of local agriculture and ensuring that the regional population's social needs are met. Orel Governor Yegor Stroev, Voronezh Governor Ivan Shabanov and Kursk Governor Aleksandr Rutskoi expressed their unhappiness with the current gasoline shortage. Rutskoi said that there was not enough gas to bring in the harvest and called the situation apocalyptic. First Deputy Fuel and Energy Minister Aleksandr Kochnev was optimistic, noting that the region had excess energy, particularly electricity, and called on the regions to economize.

Taking on the role of middleman between the two sides, Chubais gave the most weighty speech. He agreed that many of the problems under discussion needed to be resolved immediately. However, he stressed payments to his EES as the most important issue. "We want to be paid in money. During 1998, EES raised the income it received in real money from 9 to 17 percent and we don't intend to stop at that." Chubais and EES are angry that some governors set electricity prices below the norms established by the federal government. Chubais also warned that the energy crisis could become even more acute in the central region because of shortages of fuel oil (*mazut*). Currently, the fuel sells only for half the world price in Russia, and oil companies are rushing to export it. - Sergei Sarychev in Kursk

ELECTIONS 1999/2000

PRAVOE DELO ROAD SHOW HITS SAMARA. Pravoe delo's Boris Nemtsov and Irinia Khakamada brought their "*Ty prav*" (You're Right) road show to Samara on 1 August. The event included a march with a giant Russian flag (10 by 100 meters) and a rock concert with such stars as Chaif group leader Nikolai Fomenko in the largest stadium in the city. The event had been widely advertised for the last two weeks. It is not clear how much support this show will deliver for the party. The public was certainly more interested in the pop stars than the politicians. Nevertheless, the visit confirmed that the leaders of Pravoe delo are working with Samara Governor Konstantin Titov.

At a joint press conference of Titov, Nemtsov, and Khakamada, they talked of "enlarging" their coalition. Nemtsov claimed that the announcement of a coalition at Salzburg was a beginning and "now we are on the ninth month." Titov was more specific. He said that the programs of his Golos Rossii bloc and that of Pravoe delo were compatible, but that there was no need to rush the rest of the unification process. The two sides have yet to announce their merger, and a joint congress will not be held before 19 August.

Titov said it was too soon to speak of forming a united list for the State Duma elections because it was not clear if former Prime Minister Viktor Chernomyrdin's Our Home is Russia or Krasnoyarsk Krai Governor Aleksandr Lebed's party would

participate. If Lebed actually does join the Golos Rossii/Pravoe delo coalition, it would be a political sensation. Now most people believe that Lebed cannot elect candidates to the State Duma without additional support. If Lebed did join this alliance, it would improve relations between Titov and Samara Mayor Georgii Limanskii, the coordinator of Lebed's party in the Volga region. It would also help Samara Deputy Mayor Mark Feigin, the leader of the Samara Oblast organization of Pravoe delo.

Despite the happy tone of the "Ty prav" festivities, the Samara branch of Pravoe delo remains deeply split. There are currently at least three different Samara organizations claiming to represent Boris Fedorov's Vpered, Rossiya!, which is a constituent part of Pravoe delo. Moreover, at least two local groups claim that they represent Nemtsov's Rossiya Molodaya. - Andrei Perla in Samara

THE GEOGRAPHY OF REGIONAL POLITICAL COALITIONS. As the State Duma and presidential elections approach, Russian governors are spending an ever larger amount of time defining who their friends are. The strategic importance of these alliances is increasing as several significant movements have officially announced their intention to merge in order to win greater representation in the State Duma. Samara Governor Konstantin Titov's Golos Rossii has joined forces with the Pravoe delo movement headed by Anatolii Chubias, Boris Nemtsov and Yegor Gaidar. This right-centrist coalition has also been trying to get Our Home is Russia (NDR) to join its ranks, with much encouragement from Russian President Boris Yeltsin. Yeltsin is encouraging this group in order to counter the other regional powerhouse, the Otechestvo-Vsya Rossiya merger that brings together two of the most openly assertive regional leaders, Moscow Mayor Yurii Luzhkov and Tatarstan's Mintimer Shaimiev. A look at the geographical distribution of the emerging alliances offers an interesting view of the potential potency of these new movements in the upcoming elections. (*For a new graphic representation of the political alliances of Russia's regional elite, please see <http://www.iew.org/rrrabout.nsf/pages/governors+party+affiliation>*).

In many respects, Luzhkov's Otechestvo has been an organizational success. In December 1998, his movement was the first major party headed by a regional executive to hold its founding congress, several months before any of the other major regional players made their intentions public. From the outset, Luzhkov prioritized establishing regional branches, which was absolutely necessary for Otechestvo to be successful outside of the capital since many beyond Moscow view Luzhkov as a robber-baron who has pilfered regional resources for the benefit of the wealthy capital. Luzhkov's efforts at penetrating regional politics have paid off to a degree, as candidates running under the Otechestvo banner have succeeded in regional-level elections in Udmurtiya and are likely to emerge in other elections as well.

However, when looking at the number of regional executives that have thrown their support behind Luzhkov, it is clear that his influence has essentially been limited to the north and central territories of European Russia. Luzhkov's base is Moscow City, Moscow Oblast, and its neighbor Yaroslavl Oblast. He has captured much of the north-west, winning the support of the leaders of Arkhangelsk, Murmansk, Komi, and Kareliya. To the south-east of Moscow, neighbors Nizhnii Novgorod and Mordoviya belong to Luzhkov's camp, but aside from these allies, the only Otechestvo regions relatively distant from the capital are Udmurtiya and Novosibirsk. The leaders of all these regions

have had long-standing relationships with Luzhkov prior to the formation of Otechestvo, suggesting that his current active regional outreach had little impact on their decision to support his movement.

Given the geographical limitations of Otechestvo and Luzhkov's inability to gather substantial support east of the Urals and in the North Caucasus, it is no surprise that the Moscow mayor was eager to merge with Vsyā Rossiya, which commands considerable appeal in Russia's ethnically-defined republics. A look at Vsyā Rossiya's geographical representation shows that it has attracted regional elite across the country. It has the support of four North Caucasian regions--Adygeya, Ingushetiya, North Osetiya, and Rostov. The movement dominates a belt in southern Russia of Chuvashiya, Tatarstan, Bashkortostan, and Chelyabinsk. The wealthy Khanty-Mansi Autonomous Okrug is among Vsyā Rossiya's ranks, and the strategically important Irkutsk Oblast and Khabarovsk Krai spread the alliance into Siberia and the Far East. In addition to these important posts, Vsyā Rossiya has won the support of the leaders of Belgorod, Penza, Astrakhan, and Omsk. Furthermore, several of Vsyā Rossiya's prominent regions border oblasts and republics whose executives have not declared their alliances. These include many ethnically defined regions in the Far East such as Sakha, Buryatiya, Ust-Orde Buryatiya, and Tyva, which are unlikely to join either the Communists or the right-center coalition. Additionally, many North Caucasian leaders have not offered support to any movements, such as the regional executives of Kabardino-Balkariya, Dagestan, and Kalmykiya. Aside from Vsyā Rossiya, the only other political movement to make any headway in the North Caucasus is the Communists, who dominate Krasnodar and Stavropol krajs, which are home to large Russian majorities. Kalmykiya President Kirsan Ilyumzhinov is very close to Luzhkov and is likely to support the Otechestvo-Vsyā Rossiya coalition. Vsyā Rossiya's one geographical weakness is Otechestvo's strength--the central and north west territories. Aside from St. Petersburg, Vsyā Rossiya has virtually no support north of Moscow in European Russia. Thus the union of these two groups represents the most geographically widespread political movement.

Golos Rossii, though touting itself as the one true regional movement which represents the interests of all Russia's regions rather than just those with power, is suffering from the geographical restrictions faced by Otechestvo. Aside from winning the support of Chukotka and Magadan in the Russian Far North, Golos Rossii's influence is limited to a belt of regions in the north-central regions of European Russia spreading from Tver to Marii El, including Vologda and Kirov. Besides these regions, Golos Rossii has the firm support only of its leader Konstantin Titov's home region, Samara Oblast, and Tyumen. The governors of Penza, Perm, and Rostov originally joined Titov's movement but then proceeded to sign up with Vsyā Rossiya. Given the mergers the two movements have recently undergone, it is unlikely that these governors will return to Titov's ranks. Golos Rossii's union with Pravoe delo and Novaya Sila brought only one additional regional executive, the head of the Gorno-Altai Republic, to Titov's side. Even if Our Home is Russia does decide to join this coalition, the group will acquire only four more regions--Saratov, Orenburg, Novgorod, and the Jewish Autonomous Oblast--none of which would help to improve the movement's geographical accessibility.

As usual the Communists are well spread. They maintain their cluster in the traditional "red belt" region, and beyond the European plain have the support of Altai Krai, the Evenk Autonomous Okrug, and Amur Oblast. The Communists are also likely

to gain the support of charismatic Kemerovo Governor Aman Tuleev, who has expressed interest in joining the new *Za Pobedu* bloc (*Kommersant Daily*, 4 August). However, the Communists will have to do a lot of heavy campaigning to gain support among regional executives equal to that of Otechestvo-Vsya Rossiya. Including Tuleev, the Communists have the confirmed support of 14 governors, while Otechestvo-Vsya Rossiya boasts 28 among its ranks, with a stronger potential to increase its ally base. Nevertheless, the Communists' prowess should not be underrated. Their strength has always been found in their mass appeal. Additionally, Vsya Rossiya, in spite of its broad support, has frequently been criticized as yet another movement of the political elite that has little support among the populace.

Numerous factors remain unknown about the ultimate shape of the campaign. More than twenty of Russia's 88 regional executives (excluding Chechnya) have yet to throw their support behind a particular movement. Likewise, the actions of former Prime Minister Yevgenii Primakov or Prime Minister Sergei Stepashin could also be extremely important in determining the shape of future alliances. - Danielle Lussier

INTERREGIONAL INTERACTION

TATARSTAN DELEGATION VISITS ARKHANGELSK. An Arkhangelsk delegation visited Tatarstan in early July and signed an agreement on economic, scientific, and cultural cooperation. On 25 July, a Tatarstani delegation led by State Council Speaker Farid Mukhametshin and Kazan Mayor Kamil Iskhakov made a return visit to the northern region. During the visit, the two sides signed agreements on cooperation between the two regional legislatures and the capital cities of the two regions.

Such contacts are definitely an "unequal marriage" and Arkhangelsk benefits more than Tatarstan from them. Tatarstan is an extremely important player in Russian political and economic life, while Arkhangelsk has little influence in such spheres. Additionally, Tatarstan is the oblast's main fuel supplier, and Arkhangelsk is one of the republic's largest debtors.

Developing closer ties to Tatarstan is one of the Arkhangelsk leadership's strategic goals. Such a goal is easily understandable in the context of Arkhangelsk Governor Anatolii Yefremov's desire to win another term in the 2000 gubernatorial elections. Good relations with Tatarstan will ensure that there is enough fuel to keep apartments warm during the fall and winter. The status of their heating is often one of the main determinants in how local voters decide which candidate to support, particularly since the elections are held in the winter.

However, there are also more alarming reasons behind the growing ties between Arkhangelsk and Tatarstan, particularly Arkhangelsk's inability to improve its relationship with the Nenets Autonomous Okrug. The okrug, whose territory is included in the oblast and contains large deposits of oil and gas, should logically use its resources for the mutual benefit of both regions. However the conflict between Arkhangelsk and Nenets over how to divide the revenue from these resources, which began in the early 1990s, is far from being resolved. Additionally, Arkhangelsk has also had trouble establishing good relations with the Komi Republic, which could supply the oblast with the fuel it needs without having to transport it as far as from Tatarstan.

Thus, Arkhangelsk's seeking ties with Tatarstan really masks serious problems. However, Tatarstan clearly hopes to win political dividends from the alliance. In particular, it hopes to win allies in the 1999 State Duma elections. Now there is a strong campaign being waged among local residents to support not only Governor Yefremov, but also Tatarstan President and Vsyia Rossiya leader Mintimer Shaimiev. - Tatiana Barandova in Arkhangelsk

MEDIA ISSUES

WEB SITE SPREADS WORD ABOUT ROSTOV VIRUS. The Internet played a large role in spreading the word about the mysterious virus that struck the Rostov Oblast city of Oblivka on 5 July. Somewhere between 70 and 130 people apparently caught the virus and six died from the mysterious disease. Ultimately, the story was widely covered in Russia. But long before the press began to report on the topic, Oblivka resident Viktor Skidan launched a web site under the heading "SOS" and provided all available unofficial information about the epidemic and his personal observations about life in the city. The site was at <http://www.oblivka.donpac.ru/>, but currently nothing is there except a notice that the web master is on vacation until 14 August and will not provide any updates until then. Skidan's initial announcement said that "an unknown virus is raging in our *stanitsa* (large Cossack village), there are casualties, the press is not reporting what is going on, the doctors are saying nothing..."

Thanks to Skidan, the news reached some of Russia's most popular web sites, Gazeta.ru and Paravozov News. RIA Novosti then apparently picked up the story from the Internet. There are no correspondents in Oblivka and even in Rostov there was no news about the virus. Once RIA covered the story, all of the central media began to report on the disease.

It is not clear whether the incident was a real epidemic or more of a media creation. It is also not clear if the authorities really tried to cover it up as Skidan claimed they did.

Skidan's popularity began to grow among Internet users when it became known that he had been invited into the local police station where they asked him to tone down the statements on his web page. After that incident, the original material on his site was removed. However, some people copied it to a new site (www.coalnet.ru/~yunp/oblivka) [the RRR editors could never get this site to work]. On his own site, Skidan indicated obliquely that he could no longer publish objective information because he was under pressure from the authorities.

Ultimately, the local authorities brought the medical situation in the city under control. After the national media picked up the story, Russia's chief doctor came to Oblivka. And on 22 July Rostov Deputy Governor Aleksandr Bedrik announced that there were no new cases of the disease. No one is sure exactly what the virus was, but such problems seem to appear occasionally in southern towns during the summer heat. - Andrei Miroshnichenko in Rostov-na-Donu

FOREIGN TIES

KALININGRAD'S GORBENKO MEETS LUKASHENKO. Kaliningrad Oblast Governor Leonid Gorbenko traveled to the Belarusian capital of Minsk 26-27 July to meet with President Aleksandr Lukashenko. During their meetings, the two leaders signed protocols about the possible direction of cooperation between Kaliningrad Oblast and Belarus. The documents foresee the use of Kaliningrad Oblast ports for transshipping Belarusian imports and exports as well as leasing Belarusian enterprises space at the ports. Belarus intends to use Kaliningrad's ships for fishing in the Baltic Sea, within the fishing quotas assigned to Russia. Additionally, now the transit of Kaliningrad citizens through Belarus to Russia will be simplified. The next round of talks will take place in Kaliningrad during August or September of this year. - Yekaterina Vasileva in Kaliningrad

REGIONAL LINKS

Russian Far East-US West Coast (<http://www.partnerregions.org>)

The main goal of this site is to promote bilateral economic ties, investment and trade between the regions of the Russian Far East and the states of the US West Coast. Maintained in two languages by the Far Eastern Center for Economic Development (Vladivostok), the site, features: overviews of all the Russian regions and US states involved; economic news by industry and area of interest; a "sensitive map" of the entire Far East; and links to sites of regional administrations.

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Vol. 4, No. 30, 11 August 1999

Russian Cohesion Index: -15 (up 14 this week)

Disintegration.....L.....T.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

+++++ On 9 August President Yeltsin removed Sergei Stepashin as prime minister and replaced him with Vladimir Putin. Although regional leaders would prefer to work with a stable federal government, the four prime ministerial changes they have witnessed over the past year and a half have accustomed them to working with a revolving-door cabinet. Additionally, by naming Putin as his successor, Yeltsin has essentially promised that the new prime minister will stay in office for the next 10 months. The calm and stability that reigned outside of Moscow after Yeltsin's decree further proves that the regions have learned to rely less on the federal government and the individuals who work in it. The ability of the regions to endure such weak and sporadic federal governance is a testament to their strength and the overall stability of the country despite the personality of the top leader. (+15)

----- Conflict on the Dagestan/Chechen border has intensified as Chechen Wahhabi fighters captured several mountain villages and declared Dagestan's independence from Russia. Russian federal authorities have been slow and careless in their response, accidentally bombing their own positions and even a Georgian village. Dagestani authorities are concerned that Russia has once again overestimated its troops' strength as the invaders are gearing up for a large-scale conflict. (-5)

+++++ On 9 August President Yeltsin officially announced the 19 December elections to the State Duma. Campaigning is well underway with particularly intense races shaping up in Krasnoyarsk and Nizhnii Novgorod. There is already concern about electoral fraud. However, attentive forethought and increased electoral experience could help minimize voting violations. (+2)

+++++ The Ford Motor Company has finally started its work setting up production facilities in Leningrad Oblast after two years of desultory negotiations. Motorola has also announced plans to increase the number of programmers at its St. Petersburg lab. Foreign investment is necessary for the economy's recovery and the continuance of such economic activity suggests that the influence of the August 1998 financial crisis on foreign investors is waning. (+2)

----- The Sverdlovsk Oblast government has formed a management company to take control of the bankruptcy proceedings of regional enterprises, bringing Governor Eduard Rossel one step closer to acquiring a controlling stake of the Nizhnetagilskii Metallurgical Combine. Such political meddling in a region's economic infrastructure will only serve to undermine enterprise reform and delay the restoration of financial health to the region's industries. (-1)

+++++ Komi Republic and the World Bank have signed an agreement establishing a program for resettling unemployed residents from the region's far northern district. This program directly addresses the geographic aspects of the Soviet legacy with the potential to greatly improve the region's economic efficiency and serve as an example to other northern regions with similar problems. (+1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Ethnic Conflict and Regional Separatism

Chechen Invaders Capture Dagestani Villages

Center-Periphery Relations

Kursk Residents Unphased by Stepashin Dismissal

Ayatskov Supports Stepashin Dismissal

Political Economy

Sakhalin Waits for Oil and Gas Wealth

Rossel One Step Closer to Acquiring Regional Enterprises

Elections 1999/2000

State Duma Elections: A View From Inside

Electoral District 158: Four Saratov Urban Raions with Different Interests

Nemtsov Candidacy Upsets Nizhnii Novgorod Duma Seat Battle

Bykov May Seek Duma Seat From Krasnoyarsk

Patterns of Regional Development

Rutskoi Battles Kursk Duma

Bread Prices Rise in Voronezh

Foreign Ties

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BREAKING NEWS

POLITICS

YELTSIN SACKS STEPASHIN LIKELY OVER REGIONAL RELATIONS.

President Boris Yeltsin fired Prime Minister Sergei Stepashin on 9 August, making clear that the dismissal was directly connected to the country's upcoming parliamentary and presidential elections (*Kommersant Daily*, 10 August). Stepashin's downfall resulted partly from his inability to prevent the alliance of Moscow Mayor Yurii Luzhkov and the regional leaders grouped in Vsyá Rossiya (*Vremya MN*, 10 August). In an interview with *Izvestiya* published on 7 August, Stepashin said that he did not exclude that the government "would support specific elements" of the Otechestvo-Vsyá Rossiya bloc. The Kremlin, which is at war with Luzhkov, clearly did not like what it was hearing.

Stepashin also did not play much of a role in the Kremlin's battle against Luzhkov's allies in Media-Most. After the pro-Yeltsin Russian Public Television and pro-Luzhkov NTV began trading insults, for example, he said that they both should go back to reporting the news. During his tenure, Stepashin generally took a neutral position toward the Moscow mayor. He also claimed that his position did not allow him to support any of the political parties in the upcoming State Duma elections.

Yeltsin named the new prime minister, Vladimir Putin, as his political heir and Putin has confirmed that he will actively seek the presidency. As a result, he will have to play a much more active role in the Kremlin campaign against Luzhkov, who has replaced the Communists as enemy number one. Otechestvo's leadership published a harshly worded response to Stepashin's ouster, pointing out that it was a decision taken by a narrow group of people working in their own interests.

Putin served briefly from May to July 1998 as Yeltsin's point man for relations with the Russian regions. During his short tenure he used the presidential administration's Main Oversight Administration to collect information on how the governors used state credits and the operations of mines and enterprises in their jurisdiction. He said having the data in hand made his conversations with the governors much more effective (*Russkii Telegraf*, 28 July 1998). Even before he is confirmed by the State Duma, Putin will attend a meeting of the Siberian Accord interregional association in Tomsk on 12 August (*Moscow Times*, 11 August).

Yeltsin removed Stepashin even though such a step will cause a further deterioration in the relationship between the federal government and the regions. Although the regional leaders did not necessarily have strong ties to the short-lived Stepashin cabinet, they like to have a stable government in order to most effectively lobby their interests. Since spring 1998 when Yeltsin sacked Chernomyrdin, the governors have faced a new government every few months.

During his nearly three month tenure, Stepashin spent a considerable amount of his time working on the problems of the North Caucasus. In Karachaevo-Cherkesiya, where the republican Supreme Court began hearings on 9 August on the legality of the recent republican presidential elections, many residents believe that the removal of Stepashin will increase the chance for war in the North Caucasus. They pointed out that the situation in the region had begun to stabilize under his leadership (*Nezavisimaya gazeta*, 10 August).

GOVERNORS' REACTION TO CABINET SHUFFLE, DAGESTAN. The governors showed less interest in the replacement of Stepashin with Putin than the invasion of separatist fighters into Dagestan (see related story in this issue). Tver

Governor Vladimir Platov said, "We cannot exclude the possibility that the North Caucasus will be used as an excuse for introducing a state of emergency. Along these lines, anything is possible. The main thing is not to exacerbate the situation." Pskov Governor Yevgenii Mikahilov also warned of the possibility of the imposition of marital law. Novgorod Governor Mikhail Prusak said that he would support "with two hands" a state of emergency that allowed for the resolution of economic problems and achievement of political compromise (*Kommersant Daily*, 10 August).

FALSIFICATION A CONCERN IN UPCOMING ELECTIONS. Boris Kagarlitsky, a researcher at the Russian Academy of Sciences' Institute for Comparative Political Studies, warns that falsification may be a problem in some of the regions controlled by Vsya Rossiya leaders (*Moscow Times*, 10 August). The leaders of Tatarstan, Bashkortostan, and St. Petersburg have all faced accusations of vote tampering in the past. In Tatarstan, for example, State Duma Deputy Aleksandr Salii claims that in the second round of the 1996 presidential elections, 600,000 votes were taken from Gennadii Zyuganov and given to Boris Yeltsin (*Nezavisimaya Gazeta*, 7 August).

Kagarlitsky asserts that now the situation is getting worse. In the past, different leaders backed different groups so the "electoral outcomes more or less corresponded to reality." Now that the regional elite are more united, the decline in the overall level of pluralism will mean that the elections are less likely to express the will of the citizens. On the positive side, Kagarlitsky suggests that the regional elite may not be united for long, suggesting that coalitions like Vsya Rossiya are likely to fall apart because of internal divisions.

STEPASHIN SOUGHT TO REVIVE GOVERNORS' UNION. On 7 August, now former Prime Minister Sergei Stepashin told the members of the Great Volga interregional association that he was reviving the Union of Governors and that the first meeting would take place on 31 August. The group has not met for more than two years. Now that Stepashin has been fired it is not clear if the meeting will indeed take place. The pro-Yeltsin Saratov Governor Dmitrii Ayatskov said that it was a good idea, but it is not clear how many of his colleagues agree. Ayatskov said that Stepashin should lead the union and that it should serve as a counterweight to Vsya Rossiya. Stepashin also met with Tatarstan President Mintimer Shaimiev, the informal leader of the Vsya Rossiya bloc, who apparently called for reviving a Union of Republican Presidents. (*Vremya MN*, 9 August)

The Union of Governors was formed in 1992 and then consisted largely of regional officials who had been directly appointed to their positions by Yeltsin. After the confrontation between Yeltsin and the Supreme Soviet in 1993, the union was simply forgotten. Some governors tried to revive it during the gubernatorial elections of 1996, but it did not work because then Presidential Chief of Staff Anatolii Chubais preferred to work through other channels. Now the governors and regional legislative chairs are both members of the Federation Council and there is less need for such an institution.

SHAIMIEV'S OPPOSITION PLANS LARGE SCALE PROTEST. While Tatarstan President Mintimer Shaimiev further establishes himself on the federal level by forming an alliance between his Vsya Rossiya movement and Moscow Mayor Yurii Luzhkov's

Otechestvo, his standing in his home district has begun to plummet. On 19 July representatives from 15 opposition organizations in Tatarstan started a hunger strike protesting a proposed changes to the republican law on elections to the republican legislature. The proposed changes eliminated party list voting for the legislature. The new procedures also violated federal electoral law because they did not require that at least two candidates run in every race. After 12 days the hunger strike still had not brought about the desired result and the State Council ultimately adopted a law that strengthened Shaimiev's power in the republic. The president is supposed to sign the bill by 12 August.

The opposition is already threatening to hold a series of protests in Shaimiev signs. As soon as Shaimiev signs the bill, the opposition will file a protest with the Russian Constitutional Court. On 16 August the Tatar diaspora in Moscow plan to hold a demonstration, on 20 August a protest march to Tatarstan's capital Kazan will begin throughout the region's territories, and on 30 August, the republic's Day of Sovereignty, the groups plan a large rally in Kazan. (*Nezavisimaya Gazeta*, 7 August)

PRIMAKOV NAMED ADVISOR TO ORENBURG GOVERNOR. Former Prime Minister Yevgenii Primakov has taken a position as geopolitical advisor to Orenburg Governor Vladimir Yelagin, *Profil* reported 9 August. The two reached the agreement at the end of July. Primakov and Yelagin have known each other since the 1980s when Yelagin was the first secretary of the Komsomol. Primakov will help Orenburg sell its oil, gas, and metals on the western market. However, local observers believe that Yelagin is trying to enlist Primakov's support for the oblast's December gubernatorial elections, when Yelagin faces a strong challenge from Orenburg Mayor Gennadii Donkovtsev. Opinion polls show the two candidates tied now, but Yelagin hopes that his ties with Primakov, currently Russia's most popular politician, will tip the balance in his favor.

ECONOMICS

SAKHALIN-1 IN TROUBLE. Exxon has suspended drilling on the Sakhalin-1 project after a environmental impact study recommended that the project not proceed. Exxon has a 30 percent stake in the project, Japan's Sodeco holds 30 percent, while Rosneft and its subsidiary Sakhalinmorneftegaz hold another 40 percent. Although the federal authorities have been pushing hard for the drilling to begin, the State Committee for the Environment has been reluctant to give the green light because of the poisonous liquids discharges that would occur. The reserves at the site are said to be 341.1 million metric tons of oil and 425 billion cubic meters of gas. Investments by the end of 1998 had reached \$350 million. The site might have more gas and less oil than expected and with declining Asian demand for gas, the Sakhalin project may be less profitable than had been originally assumed. For this reason, the major investors were happy to call off work until they could get a better fix on market conditions.

Problems with the Sakhalin-1 project could hurt Sakhalin-2. Sakhalin-2 partners are planning to build a 763 km pipeline running north-south on Sakhalin Island and a liquefied natural gas plant and oil and gas export terminals. The partners were hoping to share some of the expenses with the Sakhalin-1 project. Sakhalin-2 began producing oil in July. (*Moscow Times*, 10 August)

NIZHNI SEEK TO AUCTION OFF METRO. Nizhnii Novgorod Mayor Yurii Lebedev has announced plans to auction off a minority stake in the city's subway to a western investor, *Vremya MN* reported on 6 August. The city has already set up a special office in Moscow to aid the search for an interested party. Even though fares doubled on 1 August to 3 rubles a ride, the metro is losing money. Currently there are only two lines, neither of which plays a major role in the city's transportation system. Nizhnii Novgorod has a population of two million. Lebedev said that construction on the system must continue so that people will begin to use it. Currently, most of the builders have not been paid in several years.

Nizhnii Novgorod is divided by rivers and providing access across the rivers is one of the city's main transportation problems. Building a metro tunnel under the river would reduce the burden on existing bridges, but constructing such a line will cost several tens of millions of dollars. Finding an investor for the dubious project is unlikely and the Russian state is simply cannot afford such an undertaking.

MOTOROLA ENLARGES PETERSBURG FACTORY. On 5 August Motorola announced plans to increase the number of programmers at its St. Petersburg "software factory" to 200 people. Originally, the lab planned to have 90 workers by the end of 1997 (*EWI Russian Regional Report*, 12 June 1997). Motorola has operated laboratories in Moscow since June 1995 and in St. Petersburg since June 1997. Motorola says that it makes sense to invest in Russia's intellectual potential. Workers are probably paid about one tenth of what they would receive in Silicon Valley, *Kommersant Daily* reported on 6 August. Several pharmaceutical companies have also invested in Russian researchers with positive results.

EBRD PLANNING TO SUE CHERNOGORNEFT. The European Bank for Reconstruction and Development (EBRD) is planning to sue Chernogorneft, a Sidanko subsidiary, because the bank was not allowed to vote at its full strength during the company's last meeting of creditors. The meeting unilaterally reduced the firm's debt to the EBRD from \$35 million to \$26 million. The bank also plans to appeal to the Khanty-Mansi regional administration and federal bankruptcy administration. (*Vremya MN*, 10 August)

ETHNIC CONFLICT AND REGIONAL SEPARATISM

CHECHEN INVADERS CAPTURE DAGESTANI VILLAGES. On 7 August a group of Wahhabi fighters commanded by Shamil Basaev and the field commander Khattab, among others, occupied numerous mountain villages in Dagestan's Botlikh and Tsumadinskii Raions. The invaders made clear that their goal was to separate the republic from Russia.

Although Chechen fighters had entered this territory many times in the past, the scale of these invasions and the attempt to give them greater political significance is new. The first units began appearing in Tsumadinskii Raion last week. They killed four policemen who tried to oppose them. Over the course of three days, the fighters continued to pour in, ultimately reaching a strength between 2,000 and 4,000 men. The

well-armed fighters took many of the villages without a fight and also occupied strategic sites on nearby hills. The fighters' arsenal includes artillery, tanks, and anti-aircraft weapons. The fighters were generally polite to the local residents, buying whatever food they needed, and inviting them to join the battle to throw off the "Russian yoke." In general, the population did not support them.

On 10 August the Shura of Chechnya and Dagestan declared Dagestan independent and imposed martial law. While the declaration is essentially meaningless, the text of the document is apparently being distributed across the Internet. The invaders have also set up their own television station. The broadcasts can be received in a few mountain villages and in the city of Khasavyurt. The invaders have appealed to the peoples of the North Caucasus to help in overthrowing what they describe as the Russian occupation of Dagestan. They have also threatened the Dagestani leadership with reprisals for their opposition. Basaev told the local authorities that he would not withdraw until all federal troops had left Dagestan.

According to the testimony of refugees from the area, the fighters represent an international brigade of mercenaries, including Chechens, Dagestanis, Ukrainians, Balts, Arabs, Afghans, and Africans. The refugees said that the Jordanian-born Khattab was their main commander.

Most residents of the villages have already fled and many are now protesting in the central square of Dagestan's capital, Makhachkala. By the evening of 10 August, the number of refugees in Makhachkala was 6,000. Many were staying with relatives and the authorities placed many others in the generally empty tourist camps along the Caspian Sea. The only people remaining were those too old to travel and young men who sought to defend their houses with guns (*Kommersant Daily*, 11 August).

Wahhabis living in the villages of Karamakhi and Chabanmakhi, in the Buinaksk Raion farther east, declared their independence last year (see *EWI Russian Regional Report*, 27 August 1998). They have apparently not expressed an interest in joining up with the Basaev-Khattab fighters.

Although the Russian Ministry of Internal Affairs had intelligence reports that preparations for such an invasion were under way, it took no measures to rebuff such an incursion. Starting on 8 August, the republican and federal Ministry of Internal Affairs (MVD) and the Defense Ministry (102 motorized and 136 artillery brigades) sent troops to counter the invaders. MVD troops came from Stavropol and Krasnodar krais and OMON special police units came from Rostov and Samara. The Russian side also deployed SU-24, SU-25, and SU-27 bombers, attack helicopters, and artillery. Fighting was particularly intense on 10 August, and the Russians made more than 100 flights from the Makhachkala airport.

An 8 August meeting that included General Staff Chief Anatolii Kvashnin and Minister of Internal Affairs Vladimir Rushailo did not develop a coherent strategy for pushing the fighters out of the territory they had already occupied. The leaders only suggested, for example, not repeating the mistakes of the Chechen campaign such as harming peaceful civilians. The republican authorities declared their loyalty to Russia and preparedness to fight separatism in Dagestan with all possible means.

The number of casualties among the fighters and civilians is unknown. On 8 August Russian aircraft accidentally bombed their own position, killing four policemen with friendly fire and wounding 17 others. The flyers made the mistake because they

were given bad information from the ground, *Kommersant Daily* reported 11 August. By 11 August at least two additional Russian soldiers had been killed. Other estimates run into the dozens of deaths on both sides. On 9 August the Georgian authorities claimed that Russian planes violated the country's airspace and bombed the Georgian village Omalo, severely wounding three people.

The Russian forces were clearly inadequate for the job of repelling the invaders. On the evening of 8 August Chairman of the Dagestani State Council Magomedali Magomedov and Makhachkala Mayor Said Amirov appealed over local television for Dagestanis to volunteer for self-defense units for the cities and villages and to fight in Botlikh. On 11 August, several hundred volunteers began heading toward the center of the fighting. They are led by MVD officers and carrying their own weapons. The republic's medical workers have also been mobilized. There are already 650 people in Makhachkala seeking medical aid.

The republican authorities have authorized the formation of 50-100 member self-defense units for each city or village in Dagestan. Local military and MVD leaders were in charge of recruiting volunteers, the republic will pay for uniforms and weapons, while local authorities will feed the men. All enterprises and institutions are calling their personnel back from vacation and setting up round-the-clock guard shifts. Members of the local population are allowed to carry any kind of weapon, as long as it is registered. The republican leaders also called on social and religious leaders to improve their propaganda work among the population.

During the course of 9 August, demonstrations were held across the republic. The population discussed what was happening while spiritual leaders denounced wahhabism and called for supporting the constitutional authorities. The events have increased popular support for the local authorities. The number of volunteers for the defense squads has also been increasing. Some are even saying, "Let the Russian soldiers fight only after we have all been killed."

The dismissal of Stepashin on 9 August was a shock for the Dagestani authorities. Magomedov said that "it was by far not the best aid for the republic." However, acting Prime Minister Vladimir Putin promised to observe all the agreements between the republic and the federal government that had been put in place.

On 10 August Putin announced that the Russian authorities would solve the problems in "one-and-a-half to two weeks." He said that Yeltsin had ordered him to "impose order and discipline" (*Vremya MN*, 11 August). The day before Minister of Internal Affairs Vladimir Rushailo had already said that "the bandits should be destroyed. The events will continue as long as necessary."

The Dagestani authorities are less optimistic, however, and have asked for more aid from Moscow. In contrast to the federal officials, they have said that it is too soon to say when the fighting will be concluded (www.polit.ru, 11 August).

Putin's remarks are reminiscent of Defense Minister Pavel Grachev's comments before the Chechen war, reflecting overconfidence in the ability of the Russian troops to defeat their enemy. Prior to the Chechen conflict, Grachev boasted that it would only take "one parachute regiment to decide the whole affair in two hours." According to *Kommersant Daily*, Interior Minister Rushailo has grossly exaggerated the ability of the Russian troops in the region. On 9 August the invaders destroyed two helicopters on the ground in Botlikh and damaged two others. The Dagestani authorities have pointed out

that the fighters are well trained and gained considerable experience fighting Russian troops during the 1994-1996 Chechen war. - Nabi Abdullaev, with additional information compiled by Robert Orttung

CENTER-PERIPHERY RELATIONS

KURSK RESIDENTS UNPHASED BY STEPASHIN DISMISSAL. The dismissal of Sergei Stepashin, though unexpected, was not surprising for the residents of Kursk Oblast. The last political year and the unfounded dismissals of the Chernomyrdin, Kirienko, and Primakov governments accustomed Russians to such events. August seems to be a very appropriate month for political change in Russia (remember the 1991 coup and the 1998 economic crisis). Most likely even federal politicians and officials were not used to Stepashin in the role of prime minister, often forgetting his patronymic and calling him Sergei Vladimirovich, instead of Sergei Vadimovich. They will have no problem transitioning to Vladimir Putin, whose patronymic is Vladimirovich. Everyone assumes that Stepashin's dismissal had nothing to do with the quality of his work and attributes his dismissal to the continuation of President Boris Yeltsin's personal policies. Thus there was no indignation or exaltation.

The real excitement regarding Stepashin's dismissal was found at currency exchanges. Yeltsin's decision was made public on 9 August around 10 am and by 11 am there were lines of people hoping to purchase dollars. The value of the dollar rose at a rate of .5 ruble per hour, closing the day at 29 rubles to the dollar in private banks. The lines grew even more quickly the following day, but dollars were sold at the same price. This time, Kursk residents did not run out to buy large quantities of salt, matches, flour, and sugar. - Sergei Sarychev in Kursk

AYATSKOV SUPPORTS STEPASHIN DISMISSAL. Saratov Governor Dmitrii Ayatskov feels that Russian President Boris Yeltsin made the right decision by replacing Sergei Stepashin with Vladimir Putin as the country's prime minister. In Ayatskov's opinion, Stepashin was not tough enough to lead the government to find solutions for the country's economic problems. Ayatskov stated that "You can practice politics wearing white gloves."

Ayatskov is probably Russia's most flexible governor in his ability to constantly support the president no matter what he does. Just a few days before, Ayatskov had been supporting Stepashin's candidacy to lead a newly resurrected Union of Governors (see related story in this issue.)

Ayatskov is acquainted with Putin, who visited Saratov not long ago in his capacity as director of the Federal Security Service (FSB) and chairman of the Russian Security Council to participate in a conference on the battle against drugs. The governor does not doubt Putin's professionalism and his ability to organize the work of the federal government. Ayatskov also feels that it was a good decision for Yeltsin to appoint his potential successor to the post of prime minister a year before the elections. This gives Russians enough time to see the potential successor's work and evaluate it.

According to Ayatskov, everyone should continue their work as usual, bringing in the harvest, addressing economic issues, preparing for the new school year and the

winter. One of the most important tasks will be to ensure that rule of law is upheld in the upcoming elections, Ayatskov said. - Yuliya Yeliseeva in Saratov

POLITICAL ECONOMY

SAKHALIN WAITS FOR OIL AND GAS WEALTH. A 21-23 July symposium sponsored by the Slavic Research Center at Hokkaido University, Japan, included several papers devoted to the prospects for Sakhalin, which on 5 July saw the first oil pumped from the Molikpaq platform off the north-east of the island, part of the Sakhalin-2 project (run by Sakhalin Energo, a joint venture of Mitsui, Mitsubishi, Marathon and Shell). (See *EWI Russian Regional Report*, 8 July)

As yet the oil project has had no direct effect on popular living standards, nor even on hopes about the future. Gennadii Borovskoi of Sakhalin State University reported the grim results of a survey of 700 residents he conducted in September - November 1998. Eighty-five percent said their living standard had worsened since 1991, with more than 50 percent now living in poverty. Ninety percent of respondents voiced a negative attitude towards economic reform, with young people even more negative than old people. When asked who had benefited from the changes, 67 percent said government officials, and only 40 percent said entrepreneurs. Voting with their feet, 100,000 of the oblast's 720,000 population have left since 1991.

The oblast budget is also in poor shape, according to a paper by Nobuo Arai (Sapporo International University) and Andrei Belov (Fukui University). Their task was not easy: regional budgets are even less transparent than federal spending (a fact which will make it more difficult to shift the focus of aid to the regional level). They found that the oblast's spending of \$18 million in 1998 (on which it ran a \$8 million deficit) was dwarfed by some \$30 million in off-budget funds, up from \$9 million in 1996. These include one-off bonuses paid by Sakhalin Energo as the oil project moves forward. Bonuses aside, under the production sharing agreement all revenues initially go to pay off the companies' investments, and then most of the taxes will go straight to Moscow.

Viktor Kalashnikov, from the Far East Economic Research Institute, was upbeat about the long-term prospects for Russian sales to energy-starved China and Japan -- despite high production costs. (Extraction costs are roughly \$20 per barrel for Sakhalin oil, not profitable at current market prices). Akira Miyamoto, from Osaka Gas, was more cautious. He noted that after the 1997 crisis, energy demand projections for North East Asia were revised downwards by 20-30 percent for the next decade. Sakhalin-2 is one of only a dozen natural gas projects under consideration, and its projected 8 million cubic meters (mcm) are dwarfed by planned projects for more than 20 mcm each in Australia and Indonesia. (Japan currently imports 75 mcm per year.) Moreover, Miyamoto said that Japanese utilities are very wary of signing contracts for Russian supplies given worries over future stability. A shift from liquefied gas to pipeline delivery is dubious given that building a pipeline requires a lot of upfront investment and makes the customer totally dependent on the supplier.

Several participants addressed the fate of the indigenous peoples of Sakhalin, some of whose traditional reindeer herding and fishing habitats are threatened by the oil projects. This has been a matter of great political sensitivity in oil developments around the world, from Siberia to Nigeria. Indeed, in 1997 Nivkhi leader Vladimir Sangi sent

letters protesting the oil projects to the UN General Assembly and Council of Europe. (See *Russian Regional Report*, 6 March 1997). This issue is not likely to be a stumbling block in Sakhalin, however.

Antonina Nachetkina, a Sakhalin Oblast Duma deputy and herself a member of the Nivhki community, noted that several Russian laws insist on the protection of indigenous peoples' rights and habitats. She also reported that a meeting on 28 June 1998 of representatives from the Sakhalin Association of Northern Native Peoples, the oblast administration and Sakhalin Energo had agreed on joint actions to protect native rights. Sakhalin Energo has been putting money into native cultural programs (including publication of a monthly newspaper in the Nivkhi language), and is paying stipends for native students to attend courses in Sakhalin and in St Petersburg. However, anthropologist Emma Wilson from Cambridge noted that demographics are not on the side of the native peoples. Only 3,200 natives are left on Sakhalin, including 2,400 Nivkhi - a mere 0.3 percent of the population. Even in the Noglikiskii raion, the main concentration of Nivhki, they make up only 7 percent of the population. Moreover, during the Soviet era, most of the Nivhki were moved from their traditional hunting and fishing grounds into urban settlements. Now there is a movement among young people to re-start traditional fishing practices, although this attracted some hostility from local Russians.

Rick Steiner, from the University of Alaska, spoke about the lessons of the Exxon Valdez spill for Sakhalin development. He noted that the risks of a possible spill are high, given that north-east Sakhalin is ice-bound for six months of the year and fog-bound for much of the summer, when the oil will be shipped out. At this stage neither Japan nor Russia is insisting that all tankers serving the field be double-hulled, a measure which would radically reduce the chances of a serious spill. Human error is responsible for most marine accidents, and one has doubts about the reliability of Russian crews. - Peter Rutland in Hokkaido

ROSSEL ONE STEP CLOSER TO ACQUIRING REGIONAL ENTERPRISES.

The government of Sverdlovsk Oblast is planning to take control of the bankruptcy proceedings of the regions' top enterprises. The government has decided to establish a management company, which, by the mutual agreement of the stockholders, will receive a controlling stake (25 percent plus one share) of bankrupt enterprises and then take over their external management. The oblast owns 100 percent of the charter capital in the management company. Specialists suggest that the company's general director might be a government official.

According to Chairman of the Sverdlovsk Oblast Property Fund Viktor Basargin, there is no legal basis for transferring stock to a management company. Therefore the stocks might be transferred on a voluntary basis in exchange for state investment. This will ensure professional management to enterprises, for which a special management school is being established.

The appearance of a new company on the anti-crisis management market signifies the realization of Sverdlovsk Governor Eduard Rossel's long-standing desire to assert direct control over oblast enterprises. Two companies, the children's toy factory Raduga and the jewelry factory Russkie samotsvety, have already transferred stock to the government. However, these are not the enterprises that the government would like to

gain control of and the regional administration is aiming much higher. For example, the government has reaffirmed its wish to have a controlling stake in the Nizhnetagilskii Metallurgical Combine (NMTK). The oblast's union of industrialists and entrepreneurs is skeptical of the government's new idea. In most cases, businessmen are prepared to enter into negotiations with the government only after the oblast's industrial policies are published.

NMTK's press service has once again refused to confirm the existence of an agreement to transfer stock to the government, but it did not rule out the possibility that the combine might fall under external management in the near future. This initiative depends heavily on the enterprise's creditors, in particular the president of the Kachkanarskii ore processing plant, Andrei Kozitsyn. These stockholders are gaining greater influence over the combine, evidenced by the appointment of Dzhadol Khaidarov as NMTK deputy general director of legal issues. Khaidarov allegedly has ties with Kachkanarskii's plant. Kozitsyn has publicly announced his support for Rossel in the upcoming gubernatorial elections, raising speculation that there is some connection between the introduction of external management in NMTK and the establishment of the oblast management company. - *Biznis-Novosti Urala*

ELECTIONS 1999/2000

STATE DUMA ELECTIONS: A VIEW FROM INSIDE

On 9 August, President Boris Yeltsin formally set the State Duma elections for 19 December 1999 and now the campaign is officially underway. Even before Yeltsin took care of the necessary paperwork, Saratov politicians were quietly getting ready. Candidates are putting together their campaign teams and negotiating with potential allies and sponsors. Their political councilors and image makers are already studying potential opponents and looking for their weaknesses. "Kitchen cabinets" are analyzing the social-economic and political situation in the districts, discussing in detail what kind of campaign tactics to employ, and studying the experience of previous campaigns, both in Saratov and in Russia as a whole, measuring them to fit current local conditions.

The battle for each seat in the State Duma will be serious. Over the next four months the *EWI Russian Regional Report* will closely monitor events in electoral district 158, which includes much of the city of Saratov. In 1995, Moe Otechestvo leader Boris Gromov, currently a member of the Russian Regions faction, won the district with just under 30 percent of the vote. Correspondent Yuliya Yeliseeva, a staff member working for one of the candidates in the district, will provide reporting that covers the campaign as it is seen through the eyes of one of the participants. The first report provides an overview of the district and the main concerns of the voters who live there.

ELECTORAL DISTRICT 158: FOUR SARATOV URBAN RAIONS WITH DIFFERENT INTERESTS

by Yuliya Yeliseeva

SARATOV - Saratov is an industrial city located on the banks of the southern part of the Volga river with a population of 892,000. It boasts extensive railroad links, a river port, and an international airport. Its main industries include machine building, diesel engine and aircraft construction, oil processing, chemicals, glass production, and timber processing. Until recently 90 percent of the local industry was connected in one way or another to the defense complex. Twelve institutes of higher education train 50,000 students. Ethnic Russians make up 82 percent of the population, but there are 111 registered nationalities in the city.

For the State Duma elections, each single-mandate electoral district usually represents 500,000 voters (plus or minus ten percent). Usually Saratov Oblast, with a voting-age (18 years old) population of 2,027,549 on 1 January 1999 is divided into four districts. Because the city of Saratov has an electorate numbering 691,679 voters, it is usually divided between two districts, 158 and 159.

District 158 incorporates four of the six Saratov city raions - Zavodskii, Kirovskii, Leninskii, and Frunzenskii. Overall the district includes 529,348 voters, with 241,277 men and 288,070 women. Young voters under 30 number 125,478, and there are 145,242 retired people. Overall the district includes 76.5 percent of Saratov city's population. The district represents much of downtown Saratov and includes 92 percent of the city's industry, 78 percent of its stores, 74 percent of its cultural institutions, and most of the oblast's administrative buildings, banks, media and other important institutions.

The four city raions that make up the district have vast differences in terms of standards of livings and working conditions and these differences have a significant impact on the political preferences of the voters who live in them. The Zavodskii Raion (*zavod* means factory in Russian), which accounts for 30 percent of the voters, is primarily an industrial district. The concentration of factories means that the raion suffers some of the city's worst pollution. The shortage of adequate housing is most acute in this part of the city. Many people live in small one-story houses that do not have municipal services. Politically, the raion tends to support leftist parties such as the Communists. The area is also home to a large number of protest voters. The reason for these preferences are clear: many of the factories are simply not working, unemployment is common, and salary and pension payments are often delayed for months.

Leninskii Raion, representing 40 percent of the voters, is home to a large number of military-industrial enterprises, most of which are idle because they lack orders for their output. Unemployment and wage payment delays have fostered a strongly critical attitude toward President Boris Yeltsin. However, the high level of education and professional training of many of the workers means that the dissatisfaction with the current national leadership is not expressed as sharply as it is in Zavodskii Raion, where many of the workers lack such education.

Kirovskii and Frunzenskii Raions represent 22 percent and 8 percent of the electorate respectively and are located in the very center of Saratov. They are more likely to support reform policies than the residents of the other two raions. This difference cannot be explained through higher incomes because the residents of these two raions are suffering from the same economic problems as the residents of the other regions. These areas have fewer industrial workers, but larger shares of pensioners. Among the factors that contribute to the more liberal views are higher levels of education, better living conditions, ecological conditions, and better municipal services. The residents also have

more opportunities to speak with the authorities and do not feel as neglected by politicians as the residents of Zavodskii Raion. However, political apathy is more widespread in this raion and turnout here tends to be lower than in the other areas.

The active part of the electorate can be divided into five approximate groups, spanning the range of the political spectrum:

Popular Patriotic Forces (10-12.5 percent of the active electorate) - This strongly politicized part of the population wants to restore the old socialist system of government in Russia. Members of this group are characterized by their high level of political activism. Their slogan is "Everything was better under socialism."

Protest Voters (29-31 percent) - The protest electorate is made up of the poorest members of society. Usually they are pensioners, employees of large enterprises, technical workers who have not been paid in months, and uneducated workers. This group is unhappy with the authorities, but in contrast to the Popular Patriotic Forces, which expresses its discontent in political terms, the main demand of the protest voters is increased social and economic aid. This group's main slogan is "We must make changes since we cannot go on like this." Given Russia's current political realities, this group tends to back the opposition.

Politically Neutral Voters (16-24 percent) - This group includes a part of the population that secured a reasonable standard of living for itself. The electoral preferences of this group are extremely fluid depending on the concrete political situation. They vote largely based on how their political choice will affect their economic interests. This group is most likely to be influenced by political campaigning and they are most susceptible to "political extremism." They could make up the basis for a political effort led by the "third force," (neither Communist nor pro-Yeltsin) and depending on the situation, could swing from extreme right to extreme left.

Backers of the Status Quo (22-25 percent) - These voters have benefited from the policies of the current authorities and therefore support their policies. The key members of this group are entrepreneurs, owners of small and medium sized businesses, and highly-educated workers in most spheres of activity. Their main slogan is "Despite some difficulties, the situation is improving. Radically changing the current course of reform would only produce negative consequences."

Politically Active Democrats (15-17 percent) - This group includes the "party of power:" members of the population working in state management and the directors of large state enterprises. The main political world view of this group is to support and strengthen the existing system of state management and counter the activities of those who want to restore the old socialist system. The membership of this group is relatively stable.

While the opinions of the people who vote are generally clear, the opinions of the people who do not vote are less well known. The proportion of the electorate that does not vote ranges from 32-33 percent in the presidential elections to 64-65 percent in local elections.

This group is usually described as one of "political risk" because in a critical political situation it could assert itself with unpredictable electoral consequences.

Given this wide variety of differences, all located within one electoral district, it will clearly be a difficult task for the candidates to appeal to everyone. As a result, the most interesting part of the campaign will be how the contenders put together their coalitions.

NEMTSOV CANDIDACY UPSETS NIZHNIY NOVGOROD DUMA SEAT

BATTLE. Of Nizhnii Novgorod's six electoral districts, the usually predictable 117 Avtozavodskii district has suddenly become the most interesting on the eve of the 19 December State Duma elections. In 1993 and 1995 candidates from among the leadership of the Gorkii Automobile Factory (GAZ), which dominates the district, easily won the district's Duma seat. In 1995 GAZ General Director Pavel Veselkin, who was the official NDR and de facto GAZ candidate, won the seat bringing in nearly 40 percent of the vote. Veselkin has proven to be an active lobbyist for GAZ's interests and those of the region as a whole. Thus it was no surprise in May when Veselkin announced his intention to run for reelection, and GAZ President Nikolai Pugin publicly offered his support for the deputy, essentially removing all debate over who would be the favorite in this district.

However, the situation took a turn two weeks ago when former Nizhnii Novgorod Governor and former First Deputy Prime Minister Boris Nemtsov, one of the leaders of the Pravoe delo coalition announced that if he chooses to run in a single-seat race, it will be in the Avtozavodskii district. His motives for making such a decision are clear. Back in 1994 Nemtsov was largely responsible for returning Pugin, who had previously served as GAZ's director, to the factory's top position (he had left the position to serve in the last Soviet cabinet). Pugin's return to GAZ was considered an extraordinary success for the factory and for Nemtsov, whose political prowess grew from the strong alliances he made with key enterprises in the region. Obviously Nemtsov is counting on Pugin, whose support will greatly determine the outcome of the election in the Avtozavodskii district, to return the favor.

Nemtsov's possible competition in the district is further complicated by Communist State Duma Deputy Vladimir Semago, who announced his desire to compete against Nemtsov. Semago has become a well-known figure on the Nizhnii Novgorod political scene over the past two years. First he appeared as a public supporter for Andrei Klimentev, the controversial Nizhnii Novgorod businessman who won election as the city's mayor but was not allowed to take office due to his prior criminal conviction (see *EWI Russian Regional Report*, 2 April 1998). In the rescheduled mayoral elections held in September 1998, Semago ran as Klimentev's successor, but did not make it to the second voting round (*EWI Russian Regional Report*, 1 October 1998). Semago has since distanced himself from Klimentev, forming his own image as a strong critic of Nemtsov. Last week Semago told the regional press that he intends to compete for the Avtozavodskii seat.

The end result might be an unusual situation in which two present State Deputies, Veselkin and Semago, compete in the same single-seat race against one of the most widely known politicians in Russia, Nemtsov. With the additional participation of Nizhnii Novgorod city duma deputies, Communist Oleg Kotelnikov and well-known

businesswoman Olga Chechulina, it is not difficult to predict that in the upcoming months, District 117 will be the scene for a very interesting political battle. - Sergei Borisov in Nizhnii Novgorod

BYKOV MAY SEEK DUMA SEAT FROM KRASNOYARSK. A potential State Duma bid by Anatolii Bykov, chairman of the board of directors of the Krasnoyarsk Aluminum Factory (KrAZ) and a member of the krai Legislative Assembly, is the hot topic of conversation in Krasnoyarsk now. Bykov left for Austria at the beginning of the summer, following the conclusion of his conflict with Krasnoyarsk Krai Governor Aleksandr Lebed. Just before Bykov's departure, the Ministry of Internal Affairs filed criminal charges against him (see *EWI Russian Regional Report*, 15 April).

There is speculation that Bykov will run in the Achinsk voting district, which includes his hometown of Nazarovo. Bykov is expected to return to Krasnoyarsk once the official announcement for registering candidates is made. Candidates, like deputies, have the right to legal immunity, which could provide Bykov protection against criminal prosecution. However, skeptics suggest that Bykov will only return to the region if it is necessary for him personally to appear before the electoral commission.

Vladimir Zhirinovskiy's recent visit to the Krasnoyarsk Aluminum Factory led many to believe that Bykov "bought" one of the first 12 spots on the LDPR party list. If this is true, then it is not necessary for Bykov to return to Krasnoyarsk in order to register his candidacy. - Pavel Avramov in Krasnoyarsk

PATTERNS OF REGIONAL DEVELOPMENT

RUTSKOI BATTLES KURSK DUMA. On 23 July Chairman of the Kursk Oblast Duma Viktor Chernykh and Chairman of the Duma Committee for Legal Regulations Nikolai Yefremov held a press conference to discuss the numerous problems dividing the regional duma and the Kursk Governor Aleksandr Rutskoi. Yefremov explained that newspapers had recently published a series of articles "containing false information," which described the duma majority as the "opposition." He defended his position, stating, "We are not the opposition. We simply convey the interests of our voters." The reasons behind the newspaper attacks are clear: the duma voted against signing an open letter supporting Rutskoi's deputy governors, Vladimir Bunchuk and Yurii Kononchuk, who are under arrest as they are being investigated (*EWI Russian Regional Report*, 18 June 1998); rejected a prohibition on exporting grain from the oblast; and did not authorize a loan backed by a guarantee of the oblast budget. These actions were enough to anger Rutskoi.

In addition to the media attacks, the governor struck another blow by cutting the deputies' salaries, even though they have already been subject to a salary cut. This move was particularly disturbing to the deputies since in order to reduce the deputies' salaries the governor falsified the text of the oblast charter on 8 points. Yefremov stated that the duma did not even discuss amending the charter and that the changed points are not in the assembly's records. Such illegal activity on the part of the governor has provoked the duma to appeal to the oblast procurator, whose relations with Rutskoi are tense, for help in resolving the situation. Following the procurator's intervention, the governor immediately changed his decree and restored the legislators' salaries.

Another point of contention between Rutskoï and the regional duma is the governor's desire to move up the oblast gubernatorial elections nine months to coincide with the State Duma elections in December. There are precedents for holding elections ahead of schedule, such as Yevgenii Savchenko in Belgorod (*EWI Russian Regional Report*, 3 June) and Yegor Stroeï in Orel. This dispute has become the subject of another media battle involving Chernykh and Rutskoï's top supporters in the oblast duma, led by Deputy Governor Aleksandr Fedulov. Rutskoï's backers described an interview with Chernykh published in the local press as "insulting, especially to the voters who have placed their faith in us to defend their interests." - Sergei Sarychev in Kursk

BREAD PRICES RISE IN VORONEZH. A loaf bread now costs 3.50 rubles, up from 2.90, the price that was in effect since March 1999 (see *EWI Russian Regional Report*, 11 March 1999). Bakeries tried to raise the price as early as May, but Governor Ivan Shabanov did not allow them to do so, saying that they could not raise the price until the new harvest was ready. Now Shabanov has changed his mind and the Voronezh Oblast Price Committee gave bakeries the green light. The anticipated poor wheat crop and high prices for gasoline are the reason for the higher prices. - Andrei Muchnik

FOREIGN TIES

KOMI SIGNS RESETTLEMENT AGREEMENT WITH WORLD BANK. On 4 August Komi Republic signed a protocol agreement with representatives of the World Bank preparing for the implementation of the "Migration from the North" program financed by the World Bank (see *EWI Russian Regional Investor*, 22 July). The program will move unemployed residents and residents who are unable to work from the region's far northern territories. The bank will provide housing subsidies and the local budget will cover transportation costs. The republican government and the Vorkuta city administration have until 1 October 1999 to outline the concrete size and sources of financing for the program. The World Bank will take into consideration the average real cost of housing in Russia to determine the size of its subsidies.

For the bank to continue with the project, it has stipulated that Russia must decrease the number of incentives attracting new settlers to Vorkuta. There has been some discussion of this idea among cabinet members and in the press lately, but most observers believe that the State Duma is unlikely to reduce such benefits before elections are held in December. Also the state must ensure that those moving to new houses have a free choice of relocation options, rationalize the Vorkuta municipal budget, and reform the city's communal housing system. Those resettling must move into residences that have already been built. According the World Bank representative and chair of the Migration from the North program Andrei Markov, "The bank does not intend to provide credit for the construction of new homes," (*Respublika*, 6 August).

The pilot program plans to resettle about 6,000 residents from the Promyshlennyi settlement in Vorkuta. The program hopes to resettle 180,000 Komi residents overall. First Deputy Prime Minister Nikolai Aksenenko stated that the resettlement should be completed within 3 years. The industrial development and economic health of the north is dependent on the large scale resettlement of unemployed people. - Yurii Shabaev in Syktyvkar

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The Moscow International Business Association (MIBA) Business-Government-Direct Dialogue

The Moscow International Business Association was founded on 19 November 1997. It was initiated by several major foreign and Russian companies and Moscow Mayor Yuri Luzhkov to develop a new channel of direct dialogue with the Moscow City government. Yuri Luzhkov was elected MIBA's first president, and several government officials, prominent businessmen and bankers have joined the association's leadership.

MIBA's main goal is to create an environment conducive to Russian and foreign entrepreneurs in Moscow as well as in the regions where Moscow has cooperative ties. More than 150 foreign and Russian companies actively involved in the Moscow and Russian markets belong to MIBA. MIBA sponsors meetings with Moscow City government officials, involves members in the implementation of investment projects in Moscow, searches for reliable partners, new technologies and equipment, promotes the goods and services of MIBA members in Russia and abroad, and organizes conferences and seminars on specific economic sectors.

On the basis of the dynamic and successful enterprises and organizations which gain access to the markets in Moscow, Russia, CIS, and abroad through MIBA, the association has opened representative offices in 28 Russian regions and 10 countries. Through its representatives, MIBA seeks to provide reliable information about Moscow as a city where the authorities prioritize maintaining a stable environment for investment and entrepreneurial activity. At MIBA's First International Investment Forum, "Moscow-Invest '98," held on 21-22 October 1998 in London, the Moscow City government firmly declared its intention to comply fully with all its financial obligations irrespective of the position of the Federal Government as stated on 17 August 1998. The Forum's participants, major foreign companies, demonstrated their determination to continue working in Moscow and expressed confidence that foreign investment would indeed play the key role in getting Russia out of its crisis.

MIBA's Second International Investment Forum "Moscow-Invest '99" will be held in Moscow on 2-3 September 1999, on the eve of the celebration of the Day of Moscow. It will bring together representatives of the leading financial, insurance, industrial and construction organizations from Moscow, Russia and abroad to discuss joint activities in the current economic environment. In preparation for the upcoming Forum, MIBA and the Moscow City government have prepared a joint list of investment projects in Moscow including a collection of legislation adopted to insure their realization.

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The MIBA Second International Investment Forum "Moscow-Invest '99" will become a major event in the financial and economic life of Moscow and Russia. For participation in the Second International Investment Forum "Moscow-Invest '99" please contact MIBA at tel (+7 095) 290-9107, Fa x (+7 095) 255-7820. For more information about the Forum, visit its Website at <http://www.mibas.ru>.

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EastWest Institute
Russian Regional Report
Vol. 4, No. 31, 19 August 1999

Russian Cohesion Index: -16 (down 1 this week)

Disintegration.....T.L.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

-----The violent conflict in Dagestan's western territories continues this week. Although Russian and Dagestani defense units have not made much progress in warding off the Chechens, their position remains stable. One of the most frustrating aspects of the conflict is the lack of reliable news reporting, which has angered republican officials and provided fertile ground for ever more conspiracy theories. (-2)

+++++Former Prime Minister Yevgenii Primakov announced his decision to head up the united Otechestvo-Vsya Rossiya electoral bloc. The popularity his position will bring to the bloc will only increase its potential at establishing a centrist majority in the State Duma. Moreover, Primakov's involvement in the Otechestvo-Vsya Rossiya bloc strengthens the trend toward coalition building in the Russian political party system. In the 1995 State Duma elections, there were 43 registered parties, most of which failed to pass the 5 percent barrier. Clearly politicians have smartened up this time around and the likely result will be fewer, stronger parties. (+2)

-----At an 13 August meeting of the Siberian Accord association Prime Minister Vladimir Putin fell into conflict with Krasnoyarsk Krai Governor Aleksandr Lebed regarding ownership of the region's coal mines. In his very brief tenure as prime minister, Putin has presented himself as a strong protector of federal power and is unlikely to yield much to the regions. His tough stance may increase the level of tension. (-1)

+++++A study of the banking sector in Chelyabinsk Oblast demonstrates that the region's banks have become more stable and are continuing a path of healthy development. This news in the context of the country's difficult financial situation suggests that the financial security of the regions is improving. (+1)

-----Two explosions connected to the upcoming gubernatorial elections in Sverdlovsk Oblast have destabilized the situation. Terrorism as a form of campaigning clearly threatens the integrity of free, democratic elections. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Volgograd Local Elections Set Stage for Duma Elections

Nizhnii Mayor Seeks Taking Oblast to Court

Voter Apathy Cause for Concern in Novgorod

Nizhnii Novgorod Still Feels Effects of Crisis

Russia's Lowest Inflation Found in Amur Oblast

Ethnic Conflict and Regional Separatism

In Dagestan, A Struggle for Accurate Reporting

Center-Periphery Relations

Lebed Disagrees with Putin, Chubais over Coal Sector

Foreign Ties

Prospects for Russian-American Economic Cooperation in the Russian Far East

Elections 1999/2000

Saratov's State Duma Electoral District 158: Difficult Economic, Political

Situation at Campaign Start

Spotlight on Sverdlovsk Gubernatorial Elections

Explosions as a Campaign Technique in Sverdlovsk

Otechestvo-Vsya Rossiya to Play Decisive Role in Sverdlovsk Elections

Regional Links

Russian Presidential Elections

Dagestan Conflict

Advertisements

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BREAKING NEWS

POLITICS

STROEV REJECTS COUNCIL OF GOVERNORS IDEA... Federation Council Chairman Yegor Stroev on 15 August denounced the idea discussed by former Prime Minister Sergei Stepashin of reviving the Council of Governors. Stroev said that the only purpose of the idea was to create a counterweight to the united position of the Federation Council (www.polit.ru). Current Prime Minister Vladimir Putin has confirmed that he is interested in reviving the council and still intends to hold the first meeting sometime in the period 29-31 August.

...WHILE AUSHEV MOVES AGAINST STROEV. On 15 August, Ingushetiya President Ruslan Aushev announced that at the Federation Council's next meeting he intended to raise the question of limiting Stroev's term in office (www.polit.ru). Aushev has accused Stroev of not being interested in solving the problems of his republic or the

north Caucasus region in general. Aushev is a member of the Vsya Rossiya party and may be able to enlist some of his powerful colleagues against Stroeve. Moscow Mayor Yurii Luzhkov, an ally of Vsya Rossiya, has also tried to remove Stroeve, who is often criticized by the other governors as being too close to President Boris Yeltsin (see *EWI Russian Regional Report*, 2 July 1998).

Apparently to win greater support from the governors, on 17 August Stroeve began calling for devolving more power to the governors. This statement is a sharp change for Stroeve, who usually speaks in favor of maintaining a strong center (*Izvestiya*, 18 August). The governors would like to see a weaker president, so that they would have a greater influence over the government. Then, if the governors blocs, such as Otechestvo-Vsya Rossiya, gain control over the State Duma, the Federation Council would become one of the main centers of power in the country. Stroeve is advocating making some members of the Federation serve in the body full time. Now, the Federation Council's membership is made up of the heads of the regions executive and legislative branches, so most members are too busy with their duties at home to do much in the upper house of the parliament.

PRIMAKOV JOINS OTECHESTVO. After long remaining silent about his political intention, former Prime Minister Yevgenii Primakov agreed to head up the Coordinating Council of the Otechestvo-Vsya Rossiya bloc. He will top the bloc's party list, followed by Moscow Mayor Yurii Luzhkov and St. Petersburg Governor Vladimir Yakovlev. However, these three leading positions are symbolic as none of the occupants intend to take seats in the Duma. Primakov said that he would use all his strength in winning support for the party. The goal is to create a powerful political center that will control a majority in the State Duma and serve as the basis on which the government can rule. Vsya Rossiya's informal leader, Tatarstan President Mintimer Shaimiev did not join the list on the grounds that Tatarstan's constitution prevents him from participating in political blocs. In his speech, Primakov called for reestablishing the post of vice president in Russia and transferring some of the president's powers to the government and the national legislature (www.polit.ru). One of his conditions for joining the bloc was that the Agrarian Party also be allowed to join the alliance.

The parties of Otechestvo and Vsya Rossiya will remain separate entities, united only in the campaign by the Coordinating Council, which Primakov now heads. Until Primakov took over, Georgii Boos headed this council and ruffled many feathers in Vsya Rossiya because of his imposing ambitions, according to *Nezavisimaya gazeta* (17 August), a newspaper controlled by Boris Berezovsky who opposes Luzhkov and his allies.

ALTAI KRAI GOVERNOR ON AGRARIAN SPLIT. Altai Krai Governor Aleksandr Surikov confirms that he supports the Za pobedu bloc and criticized the leadership of the Agrarian Party for making an alliance with the Otechestvo-Vsya Rossiya bloc (www.polit.ru, 17 August). Surikov wants the Agrarian Party to cooperate with the Communists, as they have done in the past, during the upcoming State Duma elections. Surikov won election to the governor seat with the backing of the National Patriotic Union of Russia, an umbrella group that then united all leftist parties. Now he claims that there is a split in the Agrarian Party between the leaders who want to ally with

Otechestvo-Vsya Rossiya and the rank-and-file members who favor the more traditional alliances.

The Agrarian Party did not cross the 5 percent barrier in 1995, when it ran as a separate party but effectively competed as the rural branch of the Communist Party of the Russian Federation (KPRF). Former Deputy Prime Minister Gennadii Kulik, an Agrarian leader, said that in many cases the KPRF did not support positions that were strongly held by the Agrarians (*Vremya MN*, 16 August). *Nezavisimaya gazeta* (17 August) questioned whether other parties would want to join the alliance after it had let in the Agrarians. On 16 August the Communist Party Duma faction excluded Dukhovnoe nasledie leader Aleksei Podberezkin from the faction because he is also cooperating with Luzhkov.

PUTIN ON REGIONS. In winning confirmation from the State Duma, Prime Minister designate Vladimir Putin stressed that he would crack down on regional separatism. When asked if he thought that the governors should be appointed by the president, he said, "Given Russian traditions, it would be helpful." But he also noted that the state could not just simply "thrust this decision on the population" (*Vremya MN*, 17 August).

COSSACKS TO GET LAND. Seventy nine years after the Communist government took away the Cossacks' land in the North Caucasus, the Communist governor of Stavropol Krai, Aleksandr Chernogorov, is giving it back. In the next week, the governor will transfer 43,000 hectares of agricultural land to the Cossacks as a way of increasing the protection along the Chechen border. (*Izvestiya*, 17 August)

COURT REJECTS LEGALITY OF MOVING NOVGOROD ELECTIONS. The Russian Supreme Court has overruled the decision of the oblast court validating the Novgorod Oblast legislature's decision to move the gubernatorial elections from 19 December to 5 September. The Communist Party had protested the decision to move up the elections, charging that it gave Governor Mikhail Prusak unfair advantages. The court presidium can overturn the court decision. The announcement of the decision has not caused a stir in Novgorod and the governor is waiting for the text of the decision so that he can file an appeal (*Nezavisimaya gazeta*, 14 August). The Supreme Court had also ruled against moving the Belgorod Oblast elections to 30 May, but the presidium overturned that decision. (See a report from Novgorod on the evolution of the campaign in this issue.)

ECONOMICS

17 AUGUST: ONE YEAR LATER. The economic crisis that began on 17 August 1998 is continuing to be felt strongly in Russia one year later. According to Leonid Grigorev, writing in *Vremya MN* (16 August), what did not happen is much more important than what actually did. Over the last year, Russia did not witness any panics, radical rejections of democratization or market economics, hyperinflation, or a national default. Yet, while avoiding the worst, Russia has still not been able to set itself on the path to real growth. Savings have been wiped out and capital continues to flee abroad.

At the beginning of the crisis, many experts said that the silver lining would be that domestic producers would benefit since they no longer had to compete against cheap

imports. However, purely Russian financed firms have not benefited from the crisis. The main beneficiaries are firms working in Russia, but set up with foreign capital. Thus, importers stopped bringing in goods from abroad and started making them in Russia. According to *Vremya MN*, companies like Proctor & Gamble, ICN Pharmaceuticals, and several western beer producers are doing well by continuing to work on Russian soil. The newspaper claims that "there are many such examples." Unfortunately, however, much less foreign capital is now flowing into Russia to build new factories. The food industry is now the main target for foreign investors (27.6%), followed by trade and restaurants (20.5%), the fuel industry (11.5%), and transport (7.9%).

For foreign carmakers working in Russia, the market has been particularly tough. Brunswick Warburg estimates that auto sales in Russia will drop 10 percent in 1999, with foreign makers bearing the brunt of the losses (*Moscow Times*, 17 August). Aside from Ford's recent deal in Leningrad Oblast (see *EWI Russian Regional Investor*, 11 August), Peugeot said that it would invest \$270 million in a joint venture with TasAZ in Rostov. None of the big carmakers have left the market, however, and some are hoping that in the next 3-5 years car sales will take off as quickly as beer sales currently are.

Exporters, such as those working in the energy industry, did much better after the crisis than before. Now they could sell their products for dollars, while paying salaries and other bills in much cheaper rubles. The oil exporters have also benefited from rising world prices. Nevertheless, while energy exports are up, overall exports were down 12 percent in the first half of 1999.

The bank sector took one of the largest hits, with the number of banks dropping by 200 to 1390. Three of the largest banks, Menatep, Inkombank, and Uneximbank, lost their licenses, and SBS-Agro and Rossiiskii Kredit are clearly in trouble. If the banks controlled combined capital of 102 billion rubles on 1 August 1998, then by 1 May 1999, this figure had dropped to 46 billion rubles. Factoring in the ruble's loss of 75 percent of its value, the losses are even greater. The main victims were individuals with money in the banks and the international financial institutions. The Central Bank is hoping to create a new financial system based on strong regional banks that actively invest in the real sector while avoiding dangerous speculative deals. This system has not been established yet because of the enormous financial problems inside the regions and because of the lack of qualified specialists (*Vremya MN*, 16 August). In fact, as the *Moscow Times* (17 August) pointed out, surprisingly little has changed in the banking sector over the last year.

One of the main winners is Alfa bank, which is now rapidly expanding its network of branches in the regions. Alfa has 20 Moscow branches and 12 in the regions. It is planning to open 10 new branches in 1999 (*Moscow Times*, 17 August).

The pace of job loss is picking up. During the second half of 1998, 300,000 Russians lost their jobs. However, during the first half of 1999, this figure jumped to 1.8 million, *Vremya MN* reported on 16 August. According to the International Labor Organization, the number of unemployed has risen from 11.5 to 14.2 percent of the population capable of working, with 10.4 million people looking for work. Initially, many companies simply shut down their activities, but by the spring they were going through more rational downsizing procedures so that they could compete in the new conditions. In addition to job loss, many employees took huge pay cuts just after the crisis hit.

Despite these statistics, some anecdotal evidence from St. Petersburg suggests that many of the employees who were let go after the crisis began are now returning to their jobs.

STANDARD AND POOR'S UPGRADES ST. PETERSBURG TO CCC. Standard and Poor's upgraded its rating of St. Petersburg to CCC from CCC- with a stable outlook on 17 August. The agency praised the city for remaining committed to servicing its foreign and local debt without restructuring and the ability of the city to achieve a small budgetary surplus in 1998. The city's performance in 1999 suggests that it could also achieve a surplus this year. The agency warned, however, that keeping expenditures down in the long term would not be possible because the city would need to invest in infrastructure. The agency also expressed concern about the city's ability to repay its \$300 Eurobond which comes due in 2002. The agency is continuing to watch the city's use of non-cash substitutes and its willingness to guarantee capital projects with the backing of city resources. The city's potential debt liability is now 60 percent of total revenues, one of the highest ratios in any Russian region. (Standard and Poor's Press Release, 17 August)

PATTERNS OF REGIONAL DEVELOPMENT

VOLGOGRAD LOCAL ELECTIONS SET STAGE FOR DUMA ELECTIONS.

Volgograd will choose its mayor and city council on 3 October 1999 in elections that many see as a dress rehearsal of the December State Duma elections not only for the region, but for the entire "red belt." During the last month, the political situation in Volgograd has gradually shifted. In the spring, incumbent Mayor Yurii Chekhov seemed assured of winning another term. However, several events have changed the face of the political struggle.

First, the authorities ruled that the elections will be held in one round, a decision that clearly improves the chances of Chekhov's Communist opponent.

Second, the Communist Party (KPRF) finally decided to back Sergei Agaptsov, the relatively young and successful director of the Volgograd Tractor Parts Factory (VZTDN), who has managed to improve radically the plant's economic fortunes and was elected to the regional Duma last December. Now Agaptsov is the chairman of the Volgograd Oblast legislature's Committee on Budget, Taxation, and Finances. Agaptsov has a strong reputation as an excellent manager, especially since before the December 1998 legislative elections, few people knew about his links with Communists.

Third, former Volgograd Governor Ivan Shabunin has decided to run for mayor in a direct challenge to Chekhov. Analysts believe that he is unlikely to win, but he will steal votes away from Chekhov, who is competing for the support of the same electorate, thus permitting the Communist candidate to win.

Despite the changes, Chekhov is still likely to defeat his opponents. However, Agaptsov is a formidable opponent. If Agaptsov wins, the Communists will gain control of the last important public office in the oblast that is not already under their control.

The Communists are also likely to do well in the city council elections following the decision of the local Yabloko leader to break ranks with the party in mid-July. Igor Lukashev is a member of the State Duma from the Yabloko list, but has long been critical

of the party's leadership, and strongly doubted that he would be included on the Yabloko list for the December 1999 elections. He will now run for mayor as well, but his prospects are poor, especially since the local Yabloko voted in April to support Chekhov. Lukashov's departure from the party weakened Yabloko's Volgograd chapter, which had already positioned itself as the main opponent to the regional Communists, and will hurt Yabloko's performance in both the October and December elections. - Ivan Kurilla in Volgograd

NIZHNII MAYOR SEEKS TAKING OBLAST TO COURT. Last week Nizhnii Novgorod Mayor Yurii Lebedev announced his intention to sue the Nizhnii Novgorod Oblast Legislative Assembly for decreasing the city's budget by 550 million rubles. According to Lebedev the claim will go before the court in 2-3 weeks. A similar suit was successfully brought by the Ulyanovsk city administration last year, setting a precedent from which other cities hope to benefit (see *EWI Russian Regional Report*, 26 March 1998 and 14 January 1999). However, legal experts in the Nizhnii Novgorod Oblast Legislative Assembly believe that Lebedev's case will not make it to court due to the allegedly unfounded content of the demands. By reducing the budget, the deputies were complying with the Russian Federation's ruling on establishing new tax standards.

The oblast legislature believes that the city administration's financial demands are unfounded and vulnerable from a legal point of view. According to Legislative Assembly Deputy Chairman Aleksandr Listov, the city is receiving 510 million rubles and giving up 246 million rubles. Therefore, he claims that the 550 million ruble figure is not correct. The Legislative Assembly's leadership views Lebedev's decision to file a court case as simply a ploy to improve his ratings. President of the Nizhnii Novgorod Research Fund Sergei Borisov stated, "Apparently, after Lebedev's activity weakened over the past 2-3 months he decided to launch a political attack, undertaking a whole series of, if not actions, than at the very least, announcements. Moreover, Lebedev and his team have evidently planned this offensive in their own style, i.e. the discussion is less about concrete actions and more about intentions."

If the legal experts are right and the case does not go to court, then it seems that this conflict has a political, rather than economic basis. It is yet another issue to add to the list of trouble points between Lebedev and Nizhnii Novgorod Governor Ivan Sklyarov, who has close relations with the oblast legislature. The two were rivals long before Lebedev won the Nizhnii Novgorod mayoral seat, having competed against each other for the governor's post in 1997. Their mutual dislike continues to grow, adding to the list of regions where governor and mayor are in constant conflict. - Yurii Rodygin in Nizhnii Novgorod

VOTER APATHY CAUSE FOR CONCERN IN NOVGOROD. On 5 September Novgorod Oblast will elect a governor from among the four candidates who managed to collect 1,000 signatures to support their nomination and subsequently registered in the race. The contenders are: coordinator of the Novgorod Oblast branch of the Liberal Democratic Party of Russia (LDPR) Aleksandr Demanov (age 35), Director of the city Bureau of Technical Inventory Mikhail Nefedov (53); Director of the Shelon state enterprise Anatolii Peshkov (50), and incumbent Mikhail Prusak (39).

The local newspaper *Vechevoi tsestr* reported on 6 August that the region's residents recognized that there is no real alternative to the present governor among the registered candidates and therefore were unlikely to be very active on election day, assuming that Prusak would walk away with an easy victory. Prusak's rating in the oblast is very high, and the local media is trying to make it even higher. Therefore, the media offers no information about the other candidates. The lackluster campaign has led to a lack of interest in the gubernatorial elections among Novgorod residents, which in turn could lead to a low voter turnout.

This situation is advantageous to Prusak's opposition, which will support the LDPR's Aleksandr Demanov. Other factors that could work in favor of the opposition are Novgorod residents' negative reaction to President Boris Yeltsin's decree dismissing former Prime Minister Sergei Stepashin, Prusak's distraction from his electoral campaign due to the government change, and the LDPR's active television advertising campaign. Will the people of Novgorod overcome their "electoral laziness" and cast enough votes to elect a governor? We will have the answer to this question on 5 September. - Ivan Novgorodskii in Velikii Novgorod

NIZHNII NOVGOROD STILL FEELS EFFECTS OF CRISIS. One year after the 17 August 1998 crisis began, the main result in Nizhnii Novgorod seems to be inflation as both prices and incomes have risen, the oblast statistical committee reported. The average salary has increased 1.5 times, but the average pension has only gone up 12 percent. Social payments, as usual, are not a top priority. Moreover, the cost of the minimum goods basket has more than doubled. According to oblast statistics for June 1999, people receiving the average salary can buy one third the amount of sugar, meat, butter, and eggs, and even fewer potatoes as compared to last year. Additionally, the ruble has lost 75 percent of its value over the past year, while prices have risen 84 percent. In the middle of the 1990s, the situation was reversed, which, according to experts, stimulated the crisis. Nevertheless, the real sector of the economy is beginning to take shape, the state is spending less time manipulating macroeconomic indicators, and normal production, though sluggishly, is being developed. - Yurii Rodygin in Nizhnii Novgorod

RUSSIA'S LOWEST INFLATION FOUND IN AMUR OBLAST. Amur Oblast recorded the lowest level of inflation for the first half of 1999. The price of consumer goods in Amur have increased by 13.2 percent as compared to 24.5 percent in Russia overall. Relatively low inflation for the January-June 1999 period was also registered in Kemerovo Oblast (14.4 percent), Novosibirsk Oblast (16.4 percent), Jewish Autonomous Oblast (17.4 percent), Agin-Buryat Autonomous Okrug (18 percent), Krasnoyarsk Krai (18.4 percent), Yakutiya (18.5 percent), Ust-Orda Buryat Autonomous Okrug (19 percent), and Arkhangelsk Oblast (19.6 percent). Moscow City demonstrated 30.6 percent inflation during this period, while Moscow Oblast-24.5 percent. Prices rose 29.1 percent in St. Petersburg and 27 percent in Leningrad Oblast.

In the majority of the industrially developed Russian regions price increases closely matched the Russian average: Nizhnii Novgorod (26.8 percent), Samara (22.5 percent), Sverdlovsk (28.4 percent), Tyumen (24.6 percent), Omsk (20.3 percent),

Chelyabinsk (26 percent), Volgograd (28.7 percent), and Saratov (28.4 percent). In Tatarstan prices rose by 28.2 percent and by 24.1 percent in Bashkortostan.

The highest inflation for the first half of the year was recorded in Koryak Autonomous Okrug (43.6 percent), Karachaevo-Cherkes Republic (37.5 percent), Adygeya (35.9 percent), and Rostov Oblast (34.3 percent). - *Biznes Novosti Urala*

ETHNIC CONFLICT AND REGIONAL SEPARATISM

IN DAGESTAN, A STRUGGLE FOR ACCURATE REPORTING

by Nabi Abdullaev

The situation in Dagestan's Botlikh and Tsumadinskii Raions has not changed much over the last several days (for background information on the conflict see *EWI Russian Regional Report*, 11 August). Russian planes are bombing an array of militants, and united brigades of Russian soldiers, Dagestani policemen, and volunteers have been combing the territory. Wahhabi Commanders Shamil Basaev and Khattab are hiding out in the woods, conducting a partisan war. According to the Russian Ministry of Internal Affairs, as of 12 P.M. on 16 August, Russian casualties amounted to 14 killed and 40 wounded. The fighters' death toll is estimated at 400. However, journalists in Botlikh claimed that they have not seen any fighter corpses. They say that the Russian soldiers will not let them near the bodies, claiming that they may be mined. Last week field commander Khattab was wounded, as confirmed by his interpreter who was taken prisoner. Overall, sixteen prisoners have been captured, primarily Chechens and Dagestanis.

On 13 August Makhachkala Mayor Said Amirov imposed a curfew in the republican capital and prohibited public gatherings. A temporary press center is being organized in Makhachkala bringing together groups of Russian and Dagestani forces to coordinate and circulate strategic information. The republican Ministry of Nationality Affairs has introduced local censorship on public information, demanding that all republican publications must first be approved by Minister Magomedsalikh Gusaev before going to print. The Dagestan government hurried to launch an official website to post strategic and analytical information on events in the republic (www.makhachkala.ru a mirror site in Moscow is www.dagestan.com.ru and mirror in the US is www.kavkaz.com). The Dagestan government has repeatedly expressed dissatisfaction with the central press's coverage of the conflict, in particular with that of NTV and ORT television stations and the newspaper *Segodnya*. *Kommersant Daily* correspondent Yurii Sofronov was denied credentials from all state institutions in the republic. The Russian Federal Security Service (FSB) stated that it had shut down the website of the Islamic Shura of Dagestan and any attempts to revive it will be stopped.

On 16 August a curfew and travel restrictions were established in Botlikh Raion. Only people with special passes can be outside after dark and journalists are being monitored by the Botlikh strategic press center. All individuals who are not registered in Botlikh Raion will be forced to leave the area. These measures were initiated by Dagestan Deputy Prime Minister Gadzhi Makhachev, who was recently appointed coordinator of the republican state organs working to reclaim the captured territories.

Makhachev's position has become considerably stronger over the past several days. As the leader of the Avar national movement, Makhachev was able to mobilize nearly 5,000 volunteers and arm half of them with weapons from Russian defense factories and armories.

Chechen President Aslan Maskhadov has declared an emergency situation in the republic, barring all public gatherings, imposing a curfew and has begun calling up reserves to active service in the Chechen army. The Russian general procurator's office circulated a statement asserting that the declaration of an emergency situation in Chechnya has no legal force since only the President of Russia can make such a declaration. However, such a statement has no impact on the genuine state of affairs as Chechnya has not observed Russian law for several years. Furthermore, in his meeting with Chairman of the Dagestan State Council Magomedali Magomedov in Makhachkala on 17 August, acting Russian General Procurator Vladimir Ustinov confirmed that distributing arms among Dagestani civilians was legal.

The government of Dagestan is against declaring an emergency situation in the republic. It feels that all state bodies are fulfilling their obligations and ensuring law and order in Dagestan.

The international press has taken an interesting, though not entirely accurate, approach to its coverage of the situation in Dagestan. Aside from the factual mistakes and the disputed versions of this or that event, some journalists claim that the conflict is a conspiracy involving Boris Berezovsky, Basaev, and the Russian presidential administration with the aim of destabilizing the situation in the Caucasus. These people argue that Yeltsin will use the conflict to introduce a state of emergency in Russia, thus canceling the State Duma elections (which are likely to result in an anti-Yeltsin majority) or even the presidential elections. Of course, no one has shown any proof that such a conspiracy exists. Another popular explanation involves Arab terrorist Osama bin Laden and the international Islamic terrorist conspiracy, yet this theory also lacks evidence. Overall, the leading mass media has found itself in an unenviable situation even worse than at the time of the Chechen conflict. There is no reliable information since correspondents are not going to the Caucasus out of fear for their safety.

CENTER-PERIPHERY RELATIONS

LEBED DISAGREES WITH PUTIN, CHUBAIS OVER COAL SECTOR. At the meeting of the Siberian Accord Association on 13 August Krasnoyarsk Krai Governor Aleksandr Lebed fell into conflict with Prime Minister Vladimir Putin and Unified Energy Systems (EES) Chairman Anatolii Chubais when he announced that the krai administration believes that the only way that three mines of the Krasnoyarsk Coal Company can be privatized is if controlling stakes are transferred to the krai administration.

Putin responded to this assertion by stating that "The coal mines are staying in the federal budget." He then added, "The administration of Krasnoyarsk Krai views the privatization campaign as a way for controlling stakes of companies to remain under its authority. From the point of view of international financial organizations, such privatization cannot increase the efficiency of the krai coal sector. Aleksandr Lebed in his own easy and benevolent manner is simply defending the interests of his krai."

Regarding the state of the Siberian coal sector, Chubais sharply criticized the governor, who is demanding that EES pay for a sizable amount of the coal it receives with real money. "Today Aleksandr Lebed demands real money payments double what is paid to other regions. I do not understand why we should squeeze out twice as much as other regions to pay real money to the Krasnoyarsk coal miners." - Pavel Avramov in Krasnoyarsk

FOREIGN TIES

PROSPECTS FOR RUSSIAN-AMERICAN ECONOMIC COOPERATION IN THE RUSSIAN FAR EAST

by Elizabeth Wishnick, Research Associate, Barnard College, Columbia University

This has been a difficult year for US-Russian cooperation, due to the political and economic repercussions of the August 1998 financial crisis, conflict in the Balkans, and a volatile political climate in the months leading up to Duma and presidential elections. The Russian Far East is no exception to the economic and political instability pervasive in Russia today--Primorskii Krai Governor Yevgenii Nazdratenko's heavy-handed effort to extort money from the British brokerage firm, Tiger Securities, attests to this--but some pragmatic steps by Russian and American regional officials provide continued hope for economic cooperation between Russia and the United States, especially in multilateral projects in transportation and energy. (On Nazdratenko and Tiger Securities, see *EWI Russian Regional Report*, 15 July.)

Throughout the spring of 1999, anti-American rhetoric was on the rise in Moscow, where extremists attacked the US Embassy in protest against Washington's actions in the Balkans. Opposition to NATO intervention in Kosovo led to closer political relations between Russia and China, a relationship known since 1996 as a "strategic partnership." Originally created to work towards a more inclusive vision of international affairs--what Russian and Chinese policymakers term a multi-polar world order--today the focus of the strategic partnership is on countering what they view as American hegemony. In contrast to the greater harmonization of Russian and Chinese political goals, their economic relationship remains relatively weak--the two countries officially reported just \$5.48 billion in trade in 1998, compared to \$9.1 billion for US-Russian trade and \$55 billion in US-China trade.

In the Russian Far East the picture looks very different. Despite tensions in US-Russian bilateral relations, on June 16-18, 1999, organizations in Khabarovsk, Vladivostok, and Seattle, forming the US West Coast-Russian Far East Working Group, held a major conference highlighting cooperative projects between the west coast of the United States and the Russian Far East in banking, finance, energy, fishing, forestry, agriculture, transportation, telecommunications, environmental protection, and tourism.

While policymakers in Moscow and Beijing emphasize their growing political alignment, officials in Vladivostok and Khabarovsk are tightening visa rules for Chinese visitors to prevent what they fear may be a floodtide of economic immigrants from China's more populous northern provinces. True, the requisite anti-NATO committees formed in Vladivostok and Khabarovsk, pandering to nationalist sentiment, but in the

Russian Far East, pressure from NATO expansion and perceived American unilateralism in international affairs seem much more distant and of less immediate concern than the regional balance of power between Russian and China.

The Russian Far East and the Chinese Northeast share a long border and many common economic problems, especially the need to find investment funds to revive depressed local economies. In the absence of sufficient support from their respective central governments, the Russian Far East and the Chinese Northeast will be unable to resolve their economic problems alone or together. Sino-Russian regional economic relations have focused on trade, and proposed projects in energy and infrastructure will require outside investors. For example, in 1995 Russia and China signed an agreement to build a bridge and highway connecting Blagoveshchensk in Amur Oblast to Heihe in Heilongjiang and establish free economic zones on both shores, but the project has languished for years due to a lack of funds on the Russian side.

Although China has the largest number of registered joint ventures with the Russian Far East, the United States leads in total dollars invested. Consequently, multilateral cooperation on the regional level, including the United States, Japan, and South Korea, as well as China, provides considerable promise for regional development. Some of the projects under consideration at the US West Coast-Russian Far East conference included expanding the role of the Russian Far East in transit trade between the west coast of the United States and North China via an east-west rail corridor linking Puget Sound ports to Harbin, as well as a gas pipeline connecting the Sakhalin-1 project with China and Japan. (Drilling on this project has been suspended for environmental reasons, see *EWI Russian Regional Report*, 11 August.)

However, competing interests complicate regional development; for example Khabarovsk and Sakhalin have promoted rival proposals for the transport of natural gas. The Khabarovsk proposal involves building a pipeline to Komsomolsk-na-Amure in Khabarovsk Krai with potential links through Primorskii Krai to North China, while Sakhalin has suggested building a liquid natural gas plant to service Japan with gas from the Sakhalin-2 project. American and Japanese investors are considering these proposals, which are not necessarily mutually exclusive, although the start of drilling on Sakhalin-2 last month has absorbed most of the attention in recent months due to the short drilling season.

Similarly, the East-West Corridor project, involving the redirection of trade from Puget Sound ports to Harbin in Heilongjiang, away from the overworked port of Dalian in Liaoning, may lead to competition between these two Chinese provinces. It remains unclear whether Beijing would welcome a reorientation of trade from Dalian, a known revenue-generator, to a depressed industrial city like Harbin. Moreover, this project will encounter all of the problems plaguing Sino-Russian border trade for years, especially difficulties with infrastructure at border crossing points and a dizzying array of central and regional taxes on both sides. Nevertheless, in a remarkable display of pragmatism at a time of international tensions, regional officials from Primorskii Krai, the state of Washington, and Heilongjiang province signed a protocol to explore the development of the new trade corridor.

The prospects for US-Russian cooperation look very different in the Russian Far East than they do in Moscow. Even against a background of international and domestic crisis, greater involvement of the Russian Far East in the Pacific Rim economy has more

immediate relevance for regional development and requires economic cooperation with all of Russia's neighbors, including the United States.

ELECTIONS 1999/2000

SARATOV'S STATE DUMA ELECTORAL DISTRICT 158: DIFFICULT ECONOMIC, POLITICAL SITUATION AT CAMPAIGN START

by Yuliya Yeliseeva

This week the EWJ Russian Regional Report continues its series of articles examining the State Duma elections in Saratov's State Duma Electoral District 158. Last week's article provided a brief overview of the district and its voters. This week, the focus is on the overall economic and political situation in the region and the potential candidates in the district. The list of candidates provides a glimpse of the make-up of the local elite.

SARATOV--Explaining the economic and political situation in District 158 is only possible in the overall context of Saratov Oblast. The region's industrial sector is stagnating. Official claims that industrial production has recently grown 11 percent are deceptive since the upward spurt follows an almost 50 percent decline. Wage delays at local factories range from two to twelve months. The agrarian sector has recovered from last year's crisis when the oblast suffered the worst drought in 100 years. However, this year's expected harvest will only help make up for those losses and will not make the rural residents any richer. Pension payments are still delayed between six to eight weeks. The price of many goods has gone up 10-20 percent because of this summer's gasoline shortage. The population's real income has dropped 10-15 percent this year and the average income of oblast residents is lower than the subsistence minimum, which is determined by a basket of 25 essential goods and services. Investment in the real sector of the oblast economy for the last two years did not exceed \$1 million, according to oblast authorities. The oblast's debt is now over 2 billion rubles, which represents 50 percent of the annual budget. Nevertheless, the governor continues to spend money on pompous new buildings, fantastic projects, such as a new \$2 billion international business center, and the numerous conferences, congresses, and forums that he participates in.

Saratov Oblast is one of the numerous depressed Russian regions where the governor has imposed an authoritarian form of rule. This system of government results from Ayatskov's personal qualities (such as his high ambitions and hope to earn the appreciation of the federal government), and the structure of the economy. There is no organized opposition in the oblast, nor has there ever been any. Local observers believe that an opposition has failed to materialize because there is no conflict in the oblast between the country's major financial-industrial groups. They simply ignore the region because of its weak industrial and agricultural potential. Most of Ayatskov's opposition in Saratov is people who lost their jobs in the state administration as a result of his actions or were fired for stealing public funds. The local representatives of federal parties are few in number, starving for resources, and have little influence over the population. Exactly 419 of the 527 parties and movements registered as of 30 June did not bother to reregister

on 1 July 1999 to confirm their active status as required by Russian law, indicating that they are no longer active.

Ayatskov did not invent the most basic techniques used to win the Duma elections. Across Russia, the governor usually makes sure that the local electoral commissions are stacked with his supporters. Assuring such support is particularly easy in rural areas where it is difficult to secure independent monitors. Then, using administrative pressure, it is relatively simple to ensure that the voters cast a ballot for the "necessary" candidate. Additionally, the members of the electoral commission then cast ballots for members of the population who did not bother showing up at the polling place. Then they can falsify protocols on the results of the elections starting in each precinct and the padded numbers work their way up to the top.

Ayatskov's only improvement to this method is placing people loyal to him throughout the region. It is not difficult for him to get them to work in his (and, therefore, their own) interests. As a rule, before each new election, the candidates try to win the backing of the governor since they believe that joining his list will guarantee their victory. Naturally, such a system makes it difficult for independent or anti-Ayatskov candidates to win. Nevertheless, it is not uncommon for a charismatic candidate to win even without Ayatskov's backing.

The situation in the oblast will be much clearer when the governor finally determines which of the national electoral parties he will join. It seems that his short-term alliance with former Prime Minister Viktor Chernomyrdin's Our Home is Russia, where he is the deputy chairman, is coming to an end. Recent reports suggest that Ayatskov is conducting negotiations with President Boris Yeltsin's administration to move the Saratov gubernatorial elections up from September 2000 to 19 December 1999, when the State Duma elections will be held. Such a move would put his opponents in a difficult situation since they would have to choose between running for a seat in the State Duma or competing for the governor seat. If Ayatskov actually does move up his election date, it would reflect the increasing panic with which he views his own situation.

Despite the worsening living conditions, there is not a large growth in protest feelings. This lack of action reflects a specific feature of the Saratov mentality, in which patience and a willingness to accept one's fate are felt even more strongly than among Russians overall. Ayatskov is also taking advantage of the strong paternalism characteristic of the population which likes to live under the guidance of a "tsar," "leader," or "regional father." Nevertheless, Ayatskov's rating among the population is at an all-time low, having dropped from 80 percent in 1996, when he was first elected, to about 20 percent today.

Potential Candidates in District 158

Although candidates will not start gathering signatures to win a spot on the ballot until early September, it is possible to identify who the likely contenders will be. They represent a cross section of the region's political elite.

Col. Gen. BORIS GROMOV (born 1943) - Gromov, who became famous as the Soviet general who led the country's troops out of Afghanistan, is the incumbent. In the Russian political lexicon, he is a "moderate patriot and *gosudarstvennik*," meaning that he

supports moderate nationalism and a strong role for the state. His advisors say that he is likely to run again. He remains extremely popular, but did little for the district during his tenure and therefore could be vulnerable. Ayatskov has neither expressed his support for Gromov, nor criticized him.

VLADIMIR SANTALOV (1950) - The general director of the agro-industrial corporation Saratovptitsa and a member of the Oblast Duma, Santalov has good chances to win the race since he is personally close to the governor, who worked many years at the factory he runs. The governor would have to use a considerable number of resources to support him since he currently is unknown in the district. However, if the governor did not support him, Santalov would happily back whoever was the candidate for the "party of power."

VALERII RASHKIN (1955) - Rashkin, the first secretary of the Communist Party of the Russian Federation (KPRF) Oblast Committee, will seek support from protest voters in the Zavodskii and Leninskii raions. He could gather up to 20 percent of the vote. However, he will not be able to count on the full support of Communist leader Gennadii Zyuganov because he has recently led separatist movements within the party.

MIKHAIL CHUGUNOV (1948) - Chugunov, the coordinator of the oblast branch of Vladimir Zhirinovskiy's Liberal Democratic Party (LDPR), has already launched his campaign by putting up posters around town with his portrait and calling on residents to join the ranks of his party. He has never won a race and has little hope of winning in this race. He may, however, be able to enter the Duma on the LDPR party list. (Russian law currently allows candidates to run for the Duma from both the party lists and single-member districts simultaneously.) Like Rashkin, he is seeking the protest vote and the backing of other marginal members of society.

ANATOLII RODIONOV (1948) - The leader of the local Yabloko party will likely run in this district and on the Yabloko party list. He has little chance of winning since his main supporters, the intelligentsia, make up only a small fraction of the electorate.

NIKOLAI SEMENETS (1946) - Semenets is the chairman of the Oblast Duma Committee on Legislation and the leader of the Saratov branch of Moscow Mayor Yurii Luzhkov's Otechestvo. He is actively working on building the party and has founded party chapters in each raion of the oblast. He has also begun placing numerous ads for the party in almost every single oblast newspaper. Governor Ayatskov has not made clear what his relationship to the Otechestvo movement is, but he is not blocking the party's work in the oblast. Semenets is also likely to run on the Otechestvo party list as well as in the district.

VLADIMIR GUSEV (1932) - During the Soviet era, Gusev ruled the oblast as the Oblast Committee (Obkom) first secretary. Currently, he is a member of the State Duma, where he gained a seat on the LDPR party list and currently chairs the Duma's Committee on Industry. As an orthodox Communist, he can count on the support of pensioners, leftists,

and the protest vote. He also may decide to run in the neighboring Engels District (no. 159). The governor has loyally supported Gusev.

Lt. Gen. VLADIMIR BULGAKOV (1941) - Bulgakov was the head of the Saratov branch of the Ministry of Internal Affairs, until Ayatskov had him fired in August 1998. Bulgakov is extremely critical of the governor. Even though Russian voters like to elect candidates who have suffered at the hands of the authorities, Bulgakov is still unlikely to win. He has little support among the population or the active political elite.

VLADIMIR DAVYDOV (1958) - Davydov is a member of the Oblast Duma, the general director of Sarkompeksim, and the president of the Saratov Chamber of Commerce. He is popular among small and medium businesspeople. He can count on the support of the right and right-center electorate, but has little chance of winning.

SERGEI MAKAROV (1956) - A member of the Oblast Duma and the general director of the Avtoshtamp, a bearing factory, Makarov is only well known among the resident of Zavodskii Raion. He may win the support of Ayatskov. He is the leader of the local branch of the Russian Federation Land Union and has national-patriotic views.

LYUBOV SLISKA (1953) - Sliska is the governor's representative in the Oblast Duma. A brilliant lawyer, she has a strong grasp of electoral legislation and campaign techniques. She is a member of Ayatskov's inner circle. She has run several campaigns in the oblast and therefore knows well the leaders of the different raions and the members of the electoral committees. She is the most likely candidate to be backed by the governor.

VYACHESLAV MALTSEV (1964) - Maltsev has been a member of the Oblast Duma for two terms. In the first term, he served as the oblast legislature's deputy chairman, but then went into opposition to the governor. He won his second term in the regional legislature despite heavy campaigning against him from the governor. He is only well known in Kirov Raion.

ALEKSANDR SHISHANOV (1949) - A retired officer of the Federal Security Service (FSB), Shishanov is now the chairman of the Union to Help Pensioners. The organization has little influence and he will campaign as an outsider.

VLADIMIR TALLER (1954) - A member of the Saratov City Duma and the president of the Telekom advertising agency, Taller also took control of the Saratov State Television Radio Company in August 1999. Despite his enormous access to the media, he has yet to become very well known in the region. He has the trust of the governor and it is possible that Ayatskov will back him.

ANATOLII CHISTYAKOV (1952) - The general director of the Saratov Bearing Factory and a member of the Oblast Duma, Chistyakov is a close ally of the governor. At one time, he was even considered a possible successor to Ayatskov. However, he is little known outside of the Zavodskii Raion.

VLADIMIR RODIONOV (1947) - A famous Saratov entrepreneur, the owner of the Volganefit and Nafta oil companies, and the president and head coach of the Avtodor basketball team, which has twice placed second in the Russian championships, Rodionov has hostile relations with the governor. Yeltsin considered appointing Rodionov to the post of governor after he dismissed then Governor Yurii Bely. Ayatskov and his allies are always extremely nervous about Rodionov. As a result, he has transferred his business to Samara, leaving only his basketball team in Saratov. The team has made Rodionov widely famous among political circles outside of the oblast. Since he owns one of the best basketball teams in the country, he has access to numerous governors, federal-level politicians, the Russian government, and the presidential administration. He founded the local branch of Yegor Gaidar's party, Russia's Democratic Choice, in Saratov and maintains close ties to Gaidar. He is a possible contender in the next Saratov gubernatorial elections. Over the next several months, the RRR will track the campaign in District 158 from the point of view of the Rodionov campaign.

SPOTLIGHT ON SVERDLOVSK GUBERNATORIAL ELECTIONS

EXPLOSIONS AS A CAMPAIGN TECHNIQUE IN SVERDLOVSK. The gubernatorial campaign in Sverdlovsk Oblast appears to have entered a new phase, one that involves terrorism. In the course of one week, two similar incidents related to the elections took place. First there was an explosion in President of Channel 4 Igor Mishin's apartment. The apartment was completely destroyed, but there were no casualties. Since the apartment was equipped with a fire alarm, firemen rushed immediately to the scene and managed to contain the fire from spreading to neighboring apartments. It was clear from the start that the fire in Mishin's apartment was not an accident. The arsonist started a gasoline fire in the apartment and escaped by climbing onto the roof of a neighboring building. Observers believe that Mishin's neutral standing in the campaign between Governor Eduard Rossel and Yekaterinburg Mayor Arkadii Chernetskii provoked the attack.

Two days after the explosion in Mishin's apartment, Chernetskii's team also fell victim to terrorism. Unknown assailants tried to ignite the cottage of one of Chernetskii's close allies, Vladimir Tungusov, by throwing a Molotov cocktail on his porch. Tungusov, who tried to extinguish the fire, did not see the perpetrators. The cottage suffered little damage. Tungusov believes that the instigator was not trying to cause material damage, but just wanted to intimidate him. Chernetskii's team feels that this act was most certainly politically motivated.

The two fires in the course of one week, involving figures well known throughout the city and at the height of the gubernatorial campaign (29 August is election day), resonated loudly among the public. Representatives from law enforcement organs assured residents that the perpetrators would be found. They have asked the press to refrain from emotional outbursts, warning that similar incidents may arise before the elections.

The majority of observers feel that Mishin's apartment was targeted due to the neutral position Channel 4 has taken in covering the elections. The attack was a sort of warning to Mishin that he might have to compromise his neutrality if requested by the appropriate people. If that is really what is happening, the "warning" is unlikely to be

very effective. Mishin understood the situation and mentioned that all of the attention it has attracted will only put more pressure on Channel 4. Those who ordered the attack proved that although they may know a lot about terrorism, they know nothing of politics.

Tungusov is the first man in Chernetskii's team, which raises the question of who would benefit from an attack on him? He too could have been being warned not to lead Chernetskii's campaign to a victorious end. Another possibility is that Tungusov himself started the small fire to implicate competitors in connection with the explosion in Mishin's apartment. Yet, it is difficult to believe that anyone would intentionally start a fire where his own wife and children were located. It is also possible, yet unlikely, that the initiators of the fire were trying to influence the way the attack on Mishin was portrayed in the media.

One final possibility is that the attacks were not directed personally at Mishin and Tungusov, but rather to destabilize the situation in the oblast. This reasoning is the least comforting for oblast residents since if this is the case, what happened this past week are only sparks, and the fireworks are yet to come. - Natalia Mints in Yekaterinburg

OTECHESTVO-VSYA ROSSIYA TO PLAY DECISIVE ROLE IN

SVERDLOVSK ELECTIONS. The recent merger of Moscow Mayor Yurii Luzhkov's Otechestvo and Tatarstan President Mintimer Shaimiev's Vsyia Rossiya could have an important impact on regional as well as federal elections. This is the case in Sverdlovsk Oblast, which is gearing up for gubernatorial elections on 29 August. On 29 July, less than a week before the merger was announced on 4 August, the Sverdlovsk Oblast branches of Our Home is Russia (NDR) and Vsyia Rossiya held a conference joining their movements. Not long before this, local NDR leader Valerii Yazev signed an official agreement supporting incumbent Eduard Rossel and his Transformation of the Urals movement in the upcoming elections. Thus, the merger of the local NDR and Vsyia Rossiya blocs should mean that Vsyia Rossiya will also honor Yazev's endorsement of Rossel.

This places Otechestvo's regional representation in an interesting position. Since the end of 1998 Rossel's long time arch rival and top opponent in the upcoming elections, Yekaterinburg Mayor Arkadii Chernetskii, and his team fought to establish the Urals branch of Otechestvo (see *EWI Russian Regional Report*, 3 December 1998). As leader of the regional branch, Chernetskii raised himself to the level of a federal politician.

Otechestvo-Vsyia Rossiya's endorsement will play an important role in the election's outcome. The bloc will have to decide whether to back Rossel or Chernetskii since dividing its alliances in such an important regional race so close to the State Duma elections would question the integrity of the movements' merger. Thus, even though he won the battle in being able to establish Otechestvo's regional representation, Chernetskii's victory could turn out to be pyretic. The local press has already speculated that Otechestvo's central council may decide to deprive Chernetskii of his right to lead the party's local branch. - Olga Gorchakova in Yekaterinburg

Regional Links

Russian Presidential Elections (<http://www.prezident.ru>) This website is dedicated to coverage of the race for the Russian presidency in 2000. Maintained both in Russian and

in English, it features relevant articles of the Constitution and electoral legislation about the institution of the presidency, provides some background on the main candidates and publishes analyses of the campaign. Particularly interesting are the public opinion surveys about voters' preferences for specific candidates.

Dagestan Conflict (www.makhachkala.ru a mirror site in Moscow is: www.dagestan.com.ru and mirror in the US is www.kavkaz.com) This is the Dagestani government's official website for posting strategic and analytical information on the present conflict. The site has begun to post the newspaper *Dagestanskaya pravda*, as well as other detailed information about the conflict, including a chronicle of the events leading up to the present situation and a map of the territory where the fighting is taking place.

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Russian Cohesion Index: -17 (down 1 this week)

Disintegration.....T..L.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

-----Otechestvo and Vsyā Rossiya each held their own congresses over the weekend to gear up for lobbying their own interests in forming the joint party list. The addition of former Prime Minister Yevgenii Primakov and the Agrarians to the bloc contributes further to the list-making complexities. In particular, Primakov has offered Primorskii Krai Governor Yevgenii Nazdratenko a role, leaving Luzhkov-supported Sergei Dudnik, the region's current Otechestvo leader and Nazdratenko foe in limbo. These various conflicting interests suggest that the bloc may not be able to hold together. (-1)

+--+Russian forces managed to regain control over the Dagestani territories that had been held captive by Chechen extremists for the past two weeks, pushing the militants back to the Chechen border. Although order is being restored to the ravaged territory, the rebuilding and defense effort will require extensive funds. The Dagestani government is trying to take precautionary measures to prevent more violence, but the federal government is pursuing its own agenda, allegedly dropping bombs on Chechen territory on 25 August. The center's general disregard for Dagestani interests and fears regarding Chechen aggression are further evidence of Russia's inability to execute an effective policy in dealing with problems in the North Caucasus, specifically Chechnya. (+2-1=+1)

-----Voronezh Mayor Aleksandr Tsapin, the victim of an unsuccessful coup attempt last month, is trying to postpone the city's mayoral elections until 2001 by introducing a referendum on whether or not the mayor should be directly elected. The increasingly popular practice of moving election dates to improve an incumbent's political position continues to challenge the integrity of elections and stunts the development of a healthy democratic culture. (-1)

+++++Unified Energy System is moving ahead with its plans to develop two energy companies that will bring together electricity generators and coal mines in Buryatiya, Sverdlovsk, Chelyabinsk, and Kazakhstan. Although the new enterprises are likely to prove more cost efficient and reliable than the present system, many details need to be worked out to satisfy the various partners. (+1)

-----The Volgograd Federal Security Service continues to pressure the oblast Internet provider Bayard-Slavia Communications to install special equipment on its server that will allow the FSB to monitor customers' use. It has become increasingly more difficult for Bayard-Slavia, which is clearly being coerced to accept the FSB's demand, to fulfill its obligations to customers. The Internet has been an instrumental tool for developing and promoting free speech in post-Soviet Russia, yet the tactics employed by the Volgograd FSB are indicative of the leverage state organs still have to control information dissemination. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Primakov Decisively Alters Primorskii Krai Political Scene

Volgograd Bus Strike Temporarily Halted

Voronezh In-Fighting Continues

Berezovsky Visits Krasnoyarsk; Lebed Continues to Battle Center

Ethnic Conflict and Regional Separatism

Conflict Ends in Dagestan, For Now

Elections 1999/2000

District 158: Campaign Team, Financing, Allies, Media

Campaign Puts Pieces in Place as Summer Ends

Duma Battle Shapes Up in Samara District

Media Issues

Volgograd Internet Provider Battles FSB

Advertisements

Moscow International Business Association's Forum "Moscow-Invest '99"

EWI Handbook of Russian Regional Executives

*****Completely Updated as of 1 August 1999*****

New EWI Book on Eurasian Security

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

OTECHESTVO, VSYA ROSSIYA HOLD CONGRESSES. Vsyia Rossiya and Otechestvo held congresses on 21 August in separate cities and demonstrated the distance that remains between them. At the Vsyia Rossiya congress in Ufa (Bashkortostan), Ingushetiya President Ruslan Aushev complained that currently Muscovites make up 110 of the 350 names being considered for inclusion in the final list. The party plans to slim down the current list of 350 to 270, the legal limit, at a joint meeting this weekend.

As the Ufa conference was taking place, Otechestvo held a conference in Moscow at which Mayor Yurii Luzhkov announced that the alliance between Otechestvo and Vsyia Rossiya is "serious and long-term."

There are four distinct groups competing for power within the alliance according to *Izvestiya* (24 August). The main contenders are Luzhkov's team, the leaders of the national republics (Tatarstan President Mintimer Shaimiev and Aushev), former Prime Minister Yevgenii Primakov's team (in agreeing to lead the bloc, he has asked for several spots on the party list), and the Agrarians, led by Mikhail Lapshin and Gennadii Kulik.

Despite their alliance, the two parties are struggling with each other to take the leading place in the bloc. *Vsya Rossiya* is less structured than *Otechestvo*, but is working hard to catch up. At the Ufa session, Tatarstan President Mintimer Shaimiev surprised the delegates by asking them to elect St. Petersburg Governor Vladimir Yakovlev as *Vsya Rossiya*'s leader. Yakovlev was elected unanimously despite the doubts of many delegates.

The presidential administration is naturally trying to play on the differences between the two blocs, clearly favoring the governors' party over Luzhkov's *Otechestvo*. The Kremlin did not send any representatives to *Otechestvo*'s congress, while Deputy Chief of Staff Aleksei Surkov attended *Vsya Rossiya*'s meeting. Surkov surprised the delegates with exceptionally warm remarks, noting that *Vsya Rossiya* was "building the foundation that will provide the basis for a peaceful transfer of power" (*Vremya MN*, 23 August).

RIGHT FORMS COALITION. After failing to unite with former Prime Minister Sergei Stepashin and former Prime Minister Viktor Chernomyrdin and his Our Home is Russia, Russia's right-wing parties have formed a new alliance called the Union of Rightist Forces. Former Prime Minister Sergei Kirienko will lead its party list, followed by Boris Nemtsov, and Irina Khakamada. Boris Fedorov will not participate since he is running for the governorship of Moscow Oblast. Samara Governor Konstantin Titov's bloc will also join the coalition, although many of its members have already defected to the *Otechestvo-Vsya Rossiya* coalition (*Izvestiya*, 25 August). The new alliance does not present much of a threat to the alliance of Luzhkov, *Vsya Rossiya*, and former Prime Minister Yevgenii Primakov.

TULEEV OUT OF ZA POBEDU TOP THREE. The *Za pobedu* bloc has excluded Kemerovo Governor Aman Tuleev from its top three. Tuleev's opponents charged that the Kremlin and White House might pressure him to resign from the bloc after the party list has already been registered (*Izvestiya*, 24 August)

GOVERNORS GRAB POWER AFTER CRISIS. One of the main consequences of the economic crisis that began on 17 August 1998 was a radical change in the way the regional elite view Moscow. For the first month after the crisis began, the federal government did nothing to take control of the situation. As the ruble fell, the regional elite lost confidence in Moscow's leadership and decided to take power into its own hands, *Nezavisimaya gazeta* argued on 24 August.

The regional leaders decided that they could take power and had set up two powerful alliances by the spring of 1999. *Golos Rossii* brought together many of the oblast governors, while *Vsya Rossiya* united many of the republican presidents. However, although the regional leaders wanted to choose one of their own as the next president, they could not agree on who it should be. Given their own failure, they ended

up choosing former Prime Minister Yevgenii Primakov as the lesser evil among the federal politicians. The other two realistic choices, according to the paper, were Moscow Mayor Yurii Luzhkov and Communist Party leader Gennadii Zyugnov. Although all three want to restore strong federal control over the regions, Primakov is the least threatening to the regional leaders since he does not have a power staff or party to back him up.

The regional elite is now only willing to align with Luzhkov if Primakov is actually the one in the driver's seat, the paper argues. Luzhkov could become the vice president or prime minister, but without Primakov, the regional elite would only allow him to become "the president of the Russian Confederation," the paper chimed.

FEDERAL GOVERNMENT FAILS TO CRACK DOWN ON GOVERNORS. The Constitutional Court has never dealt with the problem of governors violating federal law because of its "irresponsibility and impunity," according to Vladimir Tumanov, the chairman of the Presidential Council on Improving the Justice System and the former chairman of the Constitutional Court. Tumanov, who resigned from the court in 1997 following his 70th birthday, complained that the federal government did not respond adequately to the governors' legal violations. In only a few cases had the president issued a decree overturning an illegal order issued by a governor. Moreover, the government has never fully investigated a legal transgression by the governors. In particular, he accused the Justice Ministry of being inactive and never bringing a case against violators.

He also blamed the Federation Council, which he said has never discussed this issue either in a general way or in regard to a specific case. If the president or government violates the law, the Federation Council quickly sets up a commission to investigate the case. But the body never takes action against its own members.

Tumanov called for the creation of a system of administrative judges who would rule on cases involving disputes between different parts of the state and between citizens and the state that do not fall under the jurisdiction of the Constitutional Court. He said that he wants to increase the rights of the regions but only insofar as they respect federal law. (*Vremya MN*, 20 August)

PATTERNS OF REGIONAL DEVELOPMENT

PRIMAKOV DECISIVELY ALTERS PRIMORSKII KRAI POLITICAL SCENE. Primorskii Krai Governor Yevgenii Nazdratenko has accepted an invitation to join the Otechestvo-Vsya Rossiya bloc, further strengthening his position in the krai by subverting his Otechestvo-supported regional opposition. From the very day Moscow Mayor Yurii Luzhkov founded the Otechestvo movement, it has played an important role in Primorskii Krai's political scene, as two opposing factions battled over which group would establish Otechestvo's regional representation. Vice-Governor Nikolai Krets, representing the pro-governor forces, created one Otechestvo, while Krai Duma Speaker Sergei Dudnik, who is the only oppositionist Nazdratenko has not managed to remove from power, set up the other. Ultimately Luzhkov picked Dudnik's group to serve as Otechestvo's official representation, essentially demonstrating his open support for Nazdratenko's opposition (see *EWI Russian Regional Report*, 4 February 1999).

However, the addition of former Prime Minister Yevgenii Primakov to the Otechestvo-Vsya Rossiya bloc changed the political dynamic. It is well known that Primakov has close relations with Nazdratenko. In particular, it was under Primakov's government that the governor convinced Moscow to get rid of his top enemy, Vladivostok Mayor Viktor Cherepkov (see *EWI Russian Regional Report*, 17 December 1998), and Primakov included Nazdratenko as a member of a foreign delegation this spring. Primakov personally invited Nazdratenko to join the bloc while the governor was on business in Moscow.

This event shows that the new electoral blocs are being put together pragmatically. The capital bigwigs do not need weak regional figures. It is necessary for them to secure the support of the regional leaders in whose hands power, money, and control of the media are concentrated. On the eve of Primorskii Krai's gubernatorial elections, which are likely to be held on the same day as the State Duma elections, Nazdratenko's administration is successfully taking control of all levers for influencing the electorate.

The governor's opposition has suffered since Cherepkov left the scene. The position of the krai дума, though never viewed as an opposition stronghold, has sharply changed, and Dudnik's fate is dangling on a string. In July more than half of the deputies demanded Dudnik's dismissal from his post as speaker, but 13 confirmed Nazdratenko opponents (making up one third of the дума) suddenly left the session, making it impossible to hold the vote, which Dudnik undoubtedly would have lost. However the дума will take up this issue again on 26 August. Most likely, if Dudnik is dismissed as krai дума speaker, he will also be dismissed as head of the Primorskii Krai Otechestvo branch.

The invitation to join the Otechestvo-Vsya Rossiya bloc was not unexpected for Nazdratenko. Immediately after Primakov announced his decision to join Luzhkov, the governor told Interfax that Otechestvo-Vsya Rossiya was a good bloc and he was ready to head the Primorskii Krai regional list in order to prevent extreme anti-leftists and extreme reformist forces from entering the State Duma. However, Nazdratenko was careful to clarify that he is not the regional leader of Otechestvo, but of Vsya Rossiya (*The Moscow Times*, 24 August). Of course, Nazdratenko could easily take over Otechestvo as well if Dudnik is stripped of his chairmanship.

Nazdratenko made clear that he is not interested in serving in the State Duma. Running for a Duma seat and then declining to take it is not new for Russia. For example, in 1996 the well known film producer and actor Nikita Mikhalkov held one of the top spots on the Our Home is Russia electoral list, but then gave up his spot in favor of his fellow party members. Nazdratenko's main goal is winning reelection in the krai gubernatorial elections. Since the gubernatorial elections and the State Duma elections will take place at the same time, participating in the bloc ensures that the governor will succeed one way or another. If he is defeated in the gubernatorial elections he can take a seat in the State Duma. - Yevgenii Popravko in Vladivostok

VOLGOGRAD BUS STRIKE TEMPORARILY HALTED. A few days after it began on 18 August, the Volgograd private bus strike has been suspended until 27 August. Drivers of Volgograd's commercial buses and mini-vans walked out due to their discontent over the taxes they are being charged by the regional authorities. The main

problem is the new imputed tax (*vmennyyi nalog*), which requires local drivers to pay 7,000 rubles for each seat in their bus per year, regardless of their actual income. The law also requires private drivers to use cash registers so that there will be a record of their business.

Private competitors cannot raise prices very much because city authorities keep public transportation fees very low. Public buses have a fare of one ruble (with the actual cost being compensated by subsidies from the city budget). When the private drivers raised their fare from 3 to 4 rubles per ride during the height of the gas crisis earlier this summer, demand fell off sharply. The drivers complain that if they have to pay 7,000 rubles per seat, they will lose more than half of all their earnings in taxes, leaving little for purchasing gas, repairing buses, and other costs.

The drivers suspended their strike when the city authorities promised to reduce the tax and abolish the requirement of using cash registers in buses and vans. Many drivers link that promise to former Prime Minister Viktor Chernomyrdin's recent visit to Volgograd. Then dozens of buses plastered with protest slogans spoiled the appearance of the city's central square.

This is the drivers' third strike. The two previous walkouts took place in the spring, and each time the regional authorities promised to change the rules. However, nothing has been done, and now the drivers are going to keep fighting until they win.

Private transportation emerged in Volgograd some 3 or 4 years ago, and it is now an important part of city life. Volgograd, which stretches for sixty miles, has always suffered from congested traffic. The public transportation system is traditionally slow and overcrowded. Now people have already come to rely on the private services and many commuters have taken to lingering in their apartments in the morning, confident that the private bus would get them to work on time. Thus, the strike has inconvenienced tens of thousands of Volgograd residents. - Ivan Kurilla in Volgograd

VORONEZH IN-FIGHTING CONTINUES. The political warfare between the Voronezh mayor and the opposition in the Voronezh City Council is not over. The battle began on 20 April, when a faction of the deputies in the City Council impeached Voronezh Mayor Aleksandr Tsapin and named Vasili Kochergin as his replacement (see *EWI Russian Regional Report*, 6 May). Yet, Tsapin did not leave office, rather using all his influence to stay in power. Kochergin, on the other hand, considered himself the legitimate mayor and his supporters stopped attending the regular sessions of the City Council.

On 28 July, while Tsapin was out of town, Kochergin tried to seize the mayor's office by force. Kochergin and eight armed men wearing Interior Ministry officers' uniforms broke into the mayor's office by crashing through the door. Kochergin called his contacts in Moscow from the office and sought permission to stay in the building, but failed to obtain it. The local police removed him from the office two hours later. Oblast Procurator Aleksandr Frolov filed charges against Kochergin after the violent episode. Tsapin celebrated his victory as even his opposition in the City Council condemned Kochergin's unruly behavior (<http://www.voronezh.ru:8080/inform/news/>).

After Kochergin's unsuccessful coup attempt, a new powerful pro-mayor group emerged within the city administration. The members included Deputy Mayors Aleksandr Sisoyev and Leonid Selitrennikov, Chief of Staff Yevgeniy Zhukov, and the

head of the pro-Tsapin "Voronezh - Vek XXI" movement Boris Prasolov. While Tsapin was on vacation, Selitrennikov initiated some changes in the City Administration, appointing more allies to crucial positions without consulting the City Council. Selitrennikov's moves were most likely coordinated with Tsapin (*Bereg*, 20 August). The new appointees are expected to play a strong role in the next mayoral elections, which could be held as early as this December.

Whether to hold mayoral elections and when they should take place is now the main focus of the controversy. Governor Ivan Shabanov opposes electing mayors by direct vote (see *EWI Russian Regional Report*, 17 June). Instead, he wants the members of the City Council to elect the mayor themselves.

Tsapin officially supports the idea of universal suffrage, but fears that he might not be able to win the next election. Nevertheless, he now seems to have a plan to maintain his grip on power. His movement "Voronezh - Vek XXI" has proposed holding a referendum on whether or not the city's mayor should be elected through universal suffrage simultaneously with the State Duma elections.

Holding a referendum about the mayoral elections this December virtually postpones the mayoral election itself for another year (*Novaya Gazeta v Voronezhe*, 20 August). As a cost-saving measure, the mayoral elections must coincide with either the State Duma elections in December 1999 or the gubernatorial elections set for December 2001. The law prohibits scheduling local elections to coincide with the presidential elections (June-July 2000). "Voronezh - Vek XXI" is trying to collect the necessary thirty thousand signatures to hold the referendum.

BEREZOVSKY VISITS KRASNOYARSK; LEBED CONTINUES TO BATTLE CENTER. Krasnoyarsk Krai's on-going series of scandals seems to have resumed with the return of such influential names as Boris Berezovsky and Anatolii Bykov to the regional scene and a revival of the problems regarding the region's coal sector. On 19 August Berezovsky made a brief visit to Krasnoyarsk. Journalists rushed to the airport to catch a glimpse of the oligarch in his Swiss flag decorated airplane. However, Berezovskii avoided the press, kept the purpose of his visit and the topic of his conversations with Governor Aleksandr Lebed a secret, and flew back to the capital after only a few hours. The overwhelming majority of commentators link this visit with the Swiss government's decision to freeze Berezovsky's accounts there worth more than \$70 million.

However, this visit was only the beginning of bigger news. In the evening it was disclosed that the Krasnoyarsk Krai procurator had issued an arrest warrant for Chairman of the Board of Directors of the Krasnoyarsk Aluminum Factory (KrAZ), Anatolii Bykov. The "local oligarch" is being charged with a contract killing in his home city Nazarovo that took place eighteen months ago. Bykov's whereabouts are unknown. Many claim that he has left Austria, where he had fled after the Ministry of Internal Affairs filed charges against him this spring, and is now hiding out somewhere in Russia. Some speculate that the warrant on Bykov is related to Berezovsky's visit since Berezovsky clearly wants to get control of the regional coal mines.

Lebed has had his own problems dealing with the regional coal sector. In April it appeared that Lebed had won a decisive victory in the debate over the bankruptcy proceedings for the Krasnoyarsk Coal Company, Krasugol, securing a strong hand in the

company's future development (see *EWI Russian Regional Report*, 25 March and 15 April). However, Lebed has now fallen back into conflict with the federal government regarding the privatization of the mines (see *EWI Russian Regional Report*, 19 August). The miners of the coal pits recently held a protest demonstration in front of the krai administration building. Lebed appeared before the crowd, sharply criticizing the federal government's position and Prime Minister Vladimir Putin for selling shares of Krasugol. In the end of his speech Lebed raised his fist in the crass *figa* gesture and stated "Just let them try to sell without the krai's authority!" arousing laughter among those present.

According to preliminary estimates, the federal government intends to sell 75 percent of the company's stocks for about \$370 million, but if a single buyer is not found then the price will be lowered and the packet divided up. However, Krasugol Director and Lebed ally Vladimir Bondarenko values the mines at no less than \$2 billion, which is far more realistic than the estimation given by the Russian government. Nearly all of the energy in Krasnoyarsk Krai is generated from coal in the Kansk-Achinsk basin. Considerable supplies of the cheap coal goes to neighboring regions in Siberia, the Far East, and the Urals, and is used to heat Krasnoyarsk city and many other cities and villages in the krai during the winter. Thus it is no surprise why the privatization of these mines has caused such a stir in the krai. A solution acceptable by all sides does not seem likely in the near future. - Pavel Avramov in Krasnoyarsk

ETHNIC CONFLICT AND REGIONAL SEPARATISM

CONFLICT ENDS IN DAGESTAN, FOR NOW

by Nabi Abdullaev

By 25 August the Russian army, Ministry of Internal Affairs, and volunteer brigades in Dagestan managed to regain control of the settlements in the Tsumadinskii and Botlikh raions, which had been seized by the Islamic extremists who had invaded Dagestan from Chechnya earlier in August (see *EWI Russian Regional Report*, 11 August).

Approximately 15,000 Russian servicemen participated in the joint military operation. Now the federal troops are mopping up, eliminating the small groups of militants who are trying to make their way back to Chechnya, clearing mines from buildings and roads, and exposing militant sympathizers from among local residents.

According to the official numbers provided by Anatolii Kazantsev, the commander of the united forces, over 1,000 militants were killed, 30 technical units were destroyed, and several weapon stockpiles were seized. He numbered Russian losses at 60 deaths and more than 200 wounded. Losses among the civilian population and volunteers are still unknown. Witnesses and participants in the conflict, however, assert that the Russian side is greatly underreporting its casualties, which in reality numbered 20-30 deaths per day. They confirmed the high number of losses among the invaders.

It had become increasingly more difficult to follow the situation over the past several weeks with conflicting reports coming from different press services. For example, the press service of the republican branch of the Federal Security Service reported that the militant strongholds Rakhata, Ansalta, and Shodroda had been taken, but Ministry of Defense and Ministry of Internal Affairs press services refused to confirm

this information. The real number of casualties was painstakingly concealed, as were the tactical details of the operation for freeing the settlements. Journalists who tried to obtain information directly on the ground were detained in Botlikh for alleged safety purposes and fed the same information that was being distributed by official channels in Makhachkala.

Even though the conflict appears to have ended, the situation has not completely stabilized. Shamil Basaev and several other Chechen field commanders announced that the militants were ready to continue their activities in Dagestan. A group of 800 people is now concentrated at the Dagestan-Chechen border near the city of Gudermes. Dagestan border checkpoints come under attack several times a day. Leader of the Union of Russian Muslims and State Duma Deputy Nadir Khachilaev, who has been hiding from the Russian justice system in Chechnya with a group of 250 supporters, refused Basaev's offer to join up with him and condemned similar aggression. The official Chechen leadership is not commenting on the situation.

Practically all of Russia's regional executives and several CIS leaders (Belarus and Azerbaijan) denounced the militant invasion of Dagestan's territory. They offered humanitarian, and in some cases, military aid (Saratov Oblast, Rostov-Na-Donu, and Murmansk), and sent personnel from their ministries of internal affairs to participate in the operation. Dagestan State Council Chairman Magomedali Magomedov never received a statement from Chechen President Aslan Maskhadov. Moreover, Maskhadov ignored Russian Prime Minister Vladimir Putin's offer to participate in a joint operation to crush the militants. Putin's appeal is evidence of Russia's de facto recognition of Chechnya's independence. It seems that Russia's internal political interests have overpowered foreign political priorities.

On 24 August a large scale operation to help refugees from the captured territories kicked into high gear when the Ministry for Emergency Situations sent 42 tons of humanitarian aid to the republic, including tents, food, and basic household items. The Federal Migration Service claims that there are more than 10,000 refugees. The republic could not handle this problem without federal aid. All it has been able to offer refugees is 80 rubles per family, a few items of clothing, and food provisions that were inadequate. Additionally, in Makhachkala many refugees have received their delayed pensions, benefits, and other social payment, which dated back to March. The problem of compensating refugees for the loss of their homes still needs to be solved. The majority of the captured villages have been almost completely destroyed after several days of bombing.

On 10 August the Russian Ministry of Finance resumed making transfers to the republic, long after they had been halted. One hundred fifty million rubles has already been received and another 80 million is expected any day. In August and September Dagestan will receive a 300 million ruble loan for social payments. In accordance with the federal program "The Social and Economic Development of Dagestan until 2001," the republic should receive 181.3 million rubles in 1999, but thus far it has only received 12 million. Another 16 million should be transferred over the next couple of days with the rest to follow by the end of the year.

As Dagestan works to rebuild the territories affected by the invasion, the republican government is trying to institute political safeguards to ensure that the republic does not fall victim to such hostility again. On 23 August the presidium of Dagestan's

People's Assembly held a session at which it decided that the 1997 law on freedom of conscience and religious organizations was too liberal. The presidium decided to establish stricter legal standards to more effectively counteract religious extremism in the republic. The start of school has been postponed until 15 September because of the region's political instability. The administration is concerned about terrorist acts and hostage taking. Security is being stepped up to protect hospitals, clinics, and maternity homes. As a further precautionary measure, on 22 August Magomedov signed a decree and supporting documents to establish and finance an organization for the self-defense of settlements. The overall number of self defense detachments is fixed at 25,000. Additionally, on 23 August the Russian Ministry of Defense announced that contract-based military service would be established in Dagestan.

Dagestani residents have taken safeguarding their communities from future extremist attacks into their own hands as an unofficial witch hunt has taken shape. Residents of some villages, led by the heads of administrations and traditional religious leaders are raiding Wahhabi mosques and are trying to expel Wahhabis from the villages or place them under house arrest. In Makhachkala, the homes of religious leaders and scholars not fully aligned with the Dagestan Muslim Spiritual Board are being searched for extremist literature. In rural regions local television relays that carried programs of a religious content are being destroyed. In response to this the Wahhabi enclave in the Karamakhi settlement has taken steps to fortify itself and restored armed patrols.

Thus, though the large scale violence has ended, the conflict is far from over. The situation will demand careful attention from both the federal and republican governments to maintain stability and prevent future violence.

ELECTIONS 1999/2000

DISTRICT 158: CAMPAIGN TEAM, FINANCING, ALLIES, MEDIA

This week the *EWI Russian Regional Report* continues its series of in-depth articles about the 19 December State Duma elections in Saratov's District 158 (see the two previous issues for earlier installments describing the district and the potential candidates in the race). The author is on the campaign team of one of the candidates, Vladimir Rodionov, the founder of the Saratov branch of Yegor Gaidar's Russia's Democratic Choice, a well-known businessman, and the owner and coach of the Avtodor basketball team, which has finished second place in Russia's top basketball league three times.

Rodionov has competed unsuccessfully in two previous Saratov elections, the 1994 Oblast Duma race and the December 1997 City Duma campaign. In the second election, he lost to Gennadii Gorchakov, the head of the Ministry of Internal Affairs training school in Saratov. In that race, the most interesting feature was that nearly two thousand inmates of an investigative detention center voted unanimously in favor of the head of the police academy. According to Russian law, people who have been incarcerated during the investigation of the crime they allegedly committed, but have not been convicted, have the right to vote.

This week's article focuses on the candidate's campaign team, financing issues, allies, and ties to the media.

CAMPAIGN PUTS PIECES IN PLACE AS SUMMER ENDS

by Yuliya Yeliseeva

Campaign Team

Rodionov's campaign team includes all of his old political allies. The head of the team is the leader of one of Saratov's oldest democratic organizations - the Committee of Russian Reforms. The top image-maker is a professional journalist, winner of the Russian Journalist Union's 1998 Bronze Pen award, and a former press secretary for Governor Dmitrii Ayatskov. Other team members hail from the Pravoe delo coalition, the Anti-Fascist Youth Center and numerous others. Several business circles in the city have also delegated workers. Almost all of them have previous campaign experience, so they know how to work with voters and how to employ the latest campaign techniques. Practically all of them have attended seminars organized by the National Democratic Institute (USA, <http://www.ndi.org/>), and therefore the campaign team's organization (but not its content) is based on the American model.

The campaign team's structure is a strictly organized pyramid. From top to bottom are the headquarters - raion director (*kurator*) - deputy director - team leader (*brigadir*) - field worker. There is a raion director for each of the four raions in the district (see *EWI Russian Regional Report*, 12 August). Depending on the number of residents, each raion is divided into "zones of responsibility," which are under the control of the deputy directors. Each of these zones is in turn divided into precincts, headed by the brigadirs. The smallest territory is the city block, which is handled by a field worker. The system is set up so that each field worker must handle no more than 500-600 voters. All members of the team down to the level of the brigadir have already worked together in one or another campaign for democratic candidates and know each other well.

Financing

The market for electoral services has not stabilized yet, so it is only possible to talk about approximate costs. A serious campaign is likely to cost about \$350,000. In Saratov, the average candidate will not have access to such sums and will likely spend less. However, we can use this figure as an upper limit on what a campaign can hope to reach.

Rodionov is wealthy even by western standards. He owns oil refineries in Samara Oblast and machine building factories. He has also invested in the grain market and trading enterprises.

According to Russian law, a candidate can spend on his campaign a sum equal to 10,000 minimum wages (830,000 rubles or approximately \$33,000). Each candidate can only contribute the equivalent of 1,000 minimum wages (83,000 rubles or \$3,000) to his own campaign. The rest must come from contributions donated by individuals or corporations.

To build a war chest, a candidate needs the support of powerful business interests. Rodionov will not have a problem here since Saratov's business circles have heartily backed his candidacy. Several businessmen have already visited Rodionov in his office to

offer financial support. They also offered organizational support. The fact that the businessmen came to Rodionov's office demonstrates the seriousness of their intentions.

Obviously, the financial side of a campaign is always hidden from outside eyes. Therefore, it is only possible to say that Rodionov's team will not lack for resources in realizing its plans.

Allies

The candidate's alliances are also a closed sphere of activity. To understand the situation, it is necessary only to remember that Rodionov as a politician has the support of the presidential administration, the current prime minister, a significant number of governors, several faction leaders in the State Duma, and several federal-level democratic politicians. Rodionov has access to many Moscow offices, where he is received as an equal, rather than as a supplicant from the provinces.

Despite the conflict between Ayatskov and Rodionov, he has the support of many functionaries in both the executive and legislative branches of the oblast government. Although they do not advertise this fact, many of the bureaucrats want to have good relations with Rodionov and support his Duma bid. The same is true at the city level. It is reasonable to assume that many city and raion level officials will ignore or ders from above to hinder Rodionov's campaign efforts on the ground. In fact they will only pretend to oppose him, by taking meaningless steps against him or remaining passive while providing secret support. The campaign believes that it does not need anything more from them.

Rodionov's influence draws on two sources. He is relatively wealthy and earned his money legally, having endured many inspections by the state authorities. He has no problems with the tax authorities or law enforcement agencies and these facts alone engender respect. Secondly, people respect him for turning the Avtodor basketball team into one that is able to compete at an international level. Succeeding in sports has provided Rodionov with enormous access to politicians who otherwise would not be interested in seeing him. Often sport provides a better excuse for getting together with high-level officials than "czarist hunts," evenings in the banya, securing female company, or presenting expensive gifts. In America, Rodionov would be described as "self-made man."

Ties to the Media

Rodionov either sponsors or owns an FM radio station, a private television broadcaster, and a newspaper, and can count on favorable coverage from them. Moreover, the rest of the local press is well-disposed toward him. Usually, locally journalists only criticize him when the Avtodor basketball team loses to its arch-rival TsSKA, the military's basketball team.

Recently, however, some articles have appeared in papers controlled by the governor, such as *Saratovskaya meriya*, which allude to Rodionov's ties to the criminal world without actually naming him. The paper used an old Russian technique, which suggests that "if you are rich, then you are a crook." Rodionov is calm about these attacks, replying "if I had done something wrong, I would have sat in prison long ago."

The media in Saratov Oblast is extremely poor and is looking forward to the elections, with their numerous paid political ads, as "manna from heaven." Naturally, some of the papers and broadcasters will be willing to take some money to attack Rodionov. The national media is also favorably inclined toward Rodionov, but the campaign staff is already anticipating articles attacking him that have been paid for by his opponents.

Ratings

Rodionov starts the race as a relative unknown among the part of the electorate most likely to vote, senior citizens. Middle-aged people are more likely to recognize him and younger people know him best of all. This status is not surprising since Rodionov usually appears in the media as a result of his coaching duties. He also has a reputation as an opponent of Ayatskov's leadership who has been attacked by the authorities.

Given this situation, the main task of the campaign team is to increase older voters' support for Rodionov, since they are more likely to vote than their younger compatriots. Additionally, the campaign team hopes to increase the level of turnout among middle-aged and younger voters. The techniques used to achieve these goals will be the subject of future articles.

DUMA BATTLE SHAPES UP IN SAMARA DISTRICT. Samara's District 153 unites six raions, whose voters are university-educated intelligentsia and entrepreneurs. In this crucial district, the campaign is developing rather one-sidedly since the front-runner is well known, but it is not clear who will oppose him.

Aleksandr Belousov is currently the leading candidate. He is one of the most visible members of the Guberniya Duma and has considerable name recognition as a former Samara mayoral candidate and the former head of the Lenin Raion (one of the six in the district). To shore up his position, Belousov has launched a radio show in which constituents can seek help with any problem. Solving people's problems is not one of the duties of an oblast Duma member, but many voters don't realize that and turn to him for help as they once had sought aid from Oblast Soviet members ten years ago. Even though he does not provide much aid, his outreach wins him additional support.

Belousov's main trump card is the likely support of Samara Governor Konstantin Titov and his Golos Rossii party, as well as the likely support of Pravoe delo. The incumbent State Duma member, Vladimir Tarachev, a member of the Our Home is Russia faction, would like this support, but he will likely have to run as an independent.

Tarachev is hoping to win Titov's support by stressing the attractiveness of the "two T" scenario. Titov chairs the budget committee in the Federation Council and Tarachev is hoping to win the chairmanship of the budget committee in the new Duma. Currently he is the deputy chairman under Chairman Vladimir Zhukov. Besides Tarachev, no other Samara representative could chair this important committee. However, Tarachev's chances for success are small. The committee chairmanships are not decided separately, but as part of a package deal negotiated between the various factions in the Duma.

If Tarachev does not have the support of Titov and Golos Rossii in the campaign, he will face organizational and financial difficulties. According to unofficial sources, he

currently only has the financial backing of some Moscow insurance companies and has no source of funding in Samara. Tarachev is also trying to copy Belousov's successful techniques and, in comparison with other State Duma members, is holding the largest numbers of open houses to meet with voters. He has held more than 30 such meetings, including even some outside his electoral district. It is not clear how many citizens actually attend these sessions, but they are poorly advertised and he is still trailing his opponent.

Tarachev is hoping to catch up by commenting on as many important events in the State Duma as possible. However, since many of his discussions involve budget matters, he has yet to connect with a wide audience. Tarachev is extremely vulnerable to criticism because he was once the head of a privatization voucher fund which has yet to make any payments to its shareholders. Nevertheless, Tarachev remains the main opponent to Belousov as other potential candidates have still not decided whether to enter the race. As a result, the electoral battle will likely be sharp, but short-lived.

Samara Mayor Georgii Limanskii is in the most difficult position. He could back a potential candidate, current Lenin Raion chief Igor Stankevich, but it would be a risky move. Titov will inevitably back some State Duma candidates who win and some who lose. Limanskii will only be working in one district. If his candidate loses, it will be a serious blow to his reputation. There is nothing to guarantee Stankevich's victory since he would be entering the race relatively late. Moreover, Belousov's victory would be a blessing for the mayor since one of his loudest critics and a likely opponent in the next mayoral elections would effectively leave the region to work in Moscow and his local influence would subsequently decrease.

The Communists are also in a difficult position. They feel obliged to field a candidate in the Samara district, but have no one who could run a credible campaign. They wanted to nominate Svetlana Kuzmina, the chairwoman of the local branch of the Committee of Soviet Women. However, she went to Chechnya seeking to free several prisoners being held there and apparently ended up being taken hostage herself. It is not clear if she will be freed before the elections and the Communists do not have a back-up candidate.

The most inconvenient candidate for the authorities could be Oleg Kitter, a former deputy mayor and now the editor of the ultra-nationalist newspaper *Aleks-inform*. His nomination would be backed by the extremist Russian National Unity (RNE). The fact that he has no chances of winning would not prevent Kitter from using the campaign as a stage for making his characteristically provocative statements. The candidates most likely to lose from Kitter's candidacy would be the Communists and anyone supported by Limanskii, whom Kitter has sharply attacked after he was fired.

Kitter would have considerable resources in the race. His newspaper has a print-run of 7,000 copies. More importantly, his statements would be widely covered in the rest of the media. It is not important that the other journalists would not agree with his views, as long as he received free publicity. - Andrei Perla in Samara

MEDIA ISSUES

VOLGOGRAD INTERNET PROVIDER BATTLES FSB. For several months, Volgograd Internet provider Bayard-Slavia Communications has rejected the demand of

the regional Federal Security Service (FSB) to place special equipment on its server that would allow the security agency to monitor customers' use of the World Wide Web and read their e-mail. The equipment is known as SORM (*sistema operativno-rozysknykh meropriyatii*). Bayard-Slavia Directors Oleg Syrov and (since April 1999) Nail Murzakhanov say that they are willing to accept the equipment, but only after being ordered to do so by the court. The FSB wants to use SORM to monitor e-mail without having its own activities being monitored.

The FSB is using a variety of methods to pressure the Internet service provider. Bayard-Slavia officials claim that new demands made against them by Gossviaznadzor (the state body that supervises telecommunications) were the result of their resistance. On 19 May Bayard-Slavia was cut off from the satellite channel that provided customers access to the WWW. Now customers are limited to only using electronic mail. Murzakhanov filed a protest with the regional procurator, Valerii Shestopalov, on 20 July, and now is awaiting the result. (More details and opinions on the issue may be found on site www.libertarium.ru/libertarium/sorm_bsc).

The questions arising from the case concern not only SORM and the FSB's attitude on the privacy of correspondence. There are at least five other Internet providers in Volgograd and they all avoided a similar scandal. It is not clear whether Bayard-Slavia was simply the first provider approached by the FSB or if the others have simply agreed to installing the equipment without a fuss. These events in Volgograd demonstrate the growing influence of the Internet and unprecedented freedom of speech and communications now available in Russia. Clearly these freedoms bother the special services, who were much better prepared to work in a closed society than under current conditions. - Ivan Kurilla in Volgograd

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The Moscow International Business Association was founded on 19 November 1997. It was initiated by several major foreign and Russian companies and Moscow Mayor Yuri Luzhkov to develop a new channel of direct dialogue with the Moscow City government. Yuri Luzhkov was elected MIBA's first president, and several government officials, prominent businessmen and bankers have joined the association's leadership.

MIBA's main goal is to create an environment conducive to Russian and foreign entrepreneurs in Moscow as well as in the regions where Moscow has cooperative ties. More than 150 foreign and Russian companies actively involved in the Moscow and Russian markets belong to MIBA. MIBA sponsors meetings with Moscow City government officials, involves members in the implementation of investment projects in Moscow, searches for reliable partners, new technologies and equipment, promotes the goods and services of MIBA members in Russia and abroad, and organizes conferences and seminars on specific economic sectors.

On the basis of the dynamic and successful enterprises and organizations which gain access to the markets in Moscow, Russia, CIS, and abroad through MIBA, the association has opened representative offices in 28 Russian regions and 10 countries. Through its representatives, MIBA seeks to provide reliable information about Moscow as a city where the authorities prioritize maintaining a stable environment for investment and entrepreneurial activity. At MIBA's First International Investment Forum, "Moscow-Invest '98," held on 21-22 October 1998 in London, the Moscow City government firmly declared its intention to comply fully with all its financial obligations irrespective of the position of the Federal Government as stated on 17 August 1998. The Forum's participants, major foreign companies, demonstrated their determination to continue working in Moscow and expressed confidence that foreign investment would indeed play the key role in getting Russia out of its crisis.

MIBA's Second International Investment Forum "Moscow-Invest '99" will be held in Moscow on 2-3 September 1999, on the eve of the celebration of the Day of Moscow. It will bring together representatives of the leading financial, insurance, industrial and construction organizations from Moscow, Russia and abroad to discuss joint activities in the current economic environment. In preparation for the upcoming Forum, MIBA and the Moscow City government have prepared a joint list of investment projects in Moscow including a collection of legislation adopted to insure their realization.

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The RRR will not appear next week because we are going to the beach! Robert Ortung will be lounging on the shores of the Pacific Ocean in Vladivostok. Danielle Lussier will enjoy views of the Atlantic from North Carolina. We will be back on-line, hopefully tanned and rested, on 16 September.

RRR Editors

EastWest Institute
Russian Regional Report
Vol. 4, No. 33, 2 September 1999

Russian Cohesion Index: -21 (down 4 this week)

Disintegration.....T....L.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
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-----Karachaevo-Cherkesiya's Supreme Court reconfirmed Vladimir Semenov's victory in the 16 May presidential elections. Once again the republic's Cherkes population has taken to the streets in protest, demanding the dissolution of the republic. Although Prime Minister Vladimir Putin has agreed to help with negotiations between the republic's rival ethnic groups, this tense situation in the face of overall difficulties in the North Caucasus threatens the area's stability. (-2)

-----Agricultural regions such as Orenburg, Novosibirsk, and Kursk are responding to this year's poor harvest by limiting grain exports from their regions. Although it is necessary to ensure that the regions have sufficient food stores for winter, such measures serve only to hinder the development of the agricultural sector and set back attempts to preserve Russia as a unified market. (-2)

+++++Samara's AvtoVAZ has announced plans to set up a production line in Ecuador, which will greatly increase its exposure to the South American market. Russian carmakers can not compete in the highly developed European and American markets, but it makes sense for them to work in Latin America, where there is a potential market for their relatively cheap but sturdy cars. (+1)

-----The 29 August gubernatorial elections in Sverdlovsk Oblast showed a surprising reserve of protest votes that had been undetected in previous public opinion polls. The unexpected second place finish of a leftist candidate campaigning on the theme of winning workers' salaries suggests that there are severe economic problems not being

addressed by the regional authorities. This strong protest vote could have serious consequences for the State Duma elections. (-1)

+++++Rostov Oblast has managed to successfully work through the challenges the 1998 financial crisis presented to its participation in a World Bank loan program. While many regions have suspended their participation in such programs, Rostov has been able to carry out several necessary reforms, proving its resiliency and credibility to international lenders. (+1)

-----The situation in Dagestan remains tense. Although large-scale military activity has subsided, small-scale altercations are still rampant and no real settlement has been reached. The anti-Islamic rhetoric flooding through Dagestan only further contributes to the hostility. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Rossel Wins First Round in Sverdlovsk Gubernatorial Elections

Electoral Scandal Shakes Lebed's Krasnoyarsk Krai

St. Petersburg Tries to Move Gubernatorial Elections

Rutskoi and Lebed Agree to Cooperate

Political Economy

Orenburg and Novosibirsk Limit Grain Exports

Rutskoi Institutes Grain Ban as Electoral Tool

Tver Governor Calls on Banks to Offer More Money to Real Sector

Elections 1999/2000

District 158: Campaign Preparations Continue Before Race Begins

Novosibirsk Strives to Make Elections More Transparent

Center-Periphery Relations

Vladimir Putin in Novgorod

Putin Offers Dagestan More Money, But Little Diplomatic Help

Local Government

Local Self-Government or Government Gone Local? The Case of Adygeya

Foreign Ties

World Bank Inspectors Happy With Rostov Loans

Belarus and Kaliningrad Head for Closer Cooperation

Advertisements

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BREAKING NEWS

POLITICS

KARACHAI PRESIDENT ALLOWED TO TAKE OFFICE; CHERKES DEMAND SECESSION. On 27 August the Karachaevo-Cherkesiya Supreme Court once again ruled that the results of the republic's 16 May presidential elections were indeed valid and that former army commander Vladimir Semenov, who surprisingly won over 70 percent of the vote, is the legitimate victor. A reported 1,500 electoral violations had prevented the official election results from being confirmed for nearly a month, dramatically destabilizing the situation in the republic as tension increased between the region's two namesake ethnic groups, the Karachai and Cherkes. When the republican supreme court confirmed the election results in June, Semenov's rival candidate Cherkesk Mayor Stanislav Derev appealed the decision to the Russian Supreme Court, which came back a month later demanding that the republican court examine the alleged violations more closely (see *EWI Russian Regional Report*, 5 August).

Over the course of the three and a half months since the election, tension between the Karachai and Cherkes has intensified. On the very day of the elections Derev's supporters began demonstrating in the republic's capital demanding that the election be cancelled. Although public demonstrations had calmed down while the election results were being reviewed by the courts, when the most recent verdict was announced the Cherkes took to the streets again in protest, ignoring the temporary ban on public demonstrations decreed by acting President Valentin Vlasov.

The Cherkes rally cries have become significantly louder since the elections. First they demanded new elections. They then requested that the Cherkes lands be separated from the rest of Karachaevo-Cherkesiya and grouped with neighboring Stavropol Krai. Immediately after last week's decision was announced, the International Cherkes Association, under the leadership of Boris Akbashev, demanded the establishment of a separate Cherkes Republic. Now they have slightly softened their demands and are calling for the establishment of parallel Karachai and Cherkes power structures within the existing republic. (*Izvestiya* and *Nezavisimaya Gazeta*, 31 August, *Kommersant Daily*, 1 September)

Derev returned from a trip to Israel on 1 September, but refused to answer any questions upon his arrival at the airport (NTV, 1 September). During his absence, he left Deputy Mayor Vladimir Shapovalov in charge of the republic's capital.

Although technically Semenov can now take office, he has not yet done so due to the tense situation. This week Semenov traveled to Moscow to meet with representatives of the federal government. Prime Minister Vladimir Putin assured Semenov that the federal government recognized Semenov as the election's victor, and encouraged him to find a peaceful solution to the conflict with the Cherkes. Semenov told *Kommersant Daily* on 1 September that he planned to take a few days off before taking office to settle the situation and find some sort of a compromise within the framework of the Constitution that will appease all sides. Putin has agreed to come to the republic to help with negotiations if necessary. (*Kommersant Daily*, 1 September)

BOMB BLASTS MOSCOW SHOPPING CENTER. A bomb exploded in Moscow's Okhotnyi Ryad shopping center, only a few feet from the Kremlin, on the night of 31 August injuring 41 people. Investigators are following up leads that this terrorist act was

carried out by political extremists, people angry about Moscow's actions in the North Caucasus, or leaders of a business mafia fighting with the owners of the video arcade where the device exploded. One day after the blast, the entire third floor of the mall remained closed, but many people were still in the area window shopping in other parts of the mall, suggesting that the attack, while widely reported in the Russian media, did not prevent people from coming downtown. The mall's food court and arcade are expected to open by the end of the week. - Robert Ortung in Moscow

BYKOV ALLIES WITH ZHIRINOVSKY. Chairman of the Board of Directors of the Krasnoyarsk Aluminum Factory and Aleksandr Lebed-foe Anatolii Bykov will run for the State Duma on Vladimir Zhirinovskiy's Liberal Democratic Party of Russia (LDPR) list, Krasnoyarsk LDPR leader Viktor Chuikov confirmed in *Izvestiya* on 28 August. Observers have speculated that Bykov would run for the State Duma for months because the position would offer him immunity from prosecution on the charges brought against him by the Ministry of Internal Affairs this spring and by the Krasnoyarsk Krai administration two weeks ago (*EWI Russian Regional Report*, 26 August). Bykov will also likely compete in a single-member district race from the Achinsk district, which includes Bykov's hometown Nazaro (*EWI Russian Regional Report*, 11 August). However a high ranking spot on the LDPR's list, most likely in the top five and possibly second to Zhirinovskiy, offers Bykov greater security. Zhirinovskiy is likely interested in Bykov because of his access to substantial source of financing.

ECONOMICS

ST. PETERSBURG GIVES UP ON FOREIGN INVESTMENT FOR RING ROAD. The St. Petersburg City Administration has taken control over the \$1 billion St. Petersburg Ring Road project from the KAD joint stock company, *The Moscow Times* reported on 26 August. The company failed to attract any foreign investment so the city has redirected its focus to securing local and federal funds for the project. KAD was founded in 1997 by city and regional authorities and more than 20 private Russian companies. KAD leaders believe that they did not have sufficient time to create a strong proposal for potential investors.

On 14 August Deputy Prime Minister Nikolai Aksenenko visited the construction site and agreed to hold an official meeting on financing possibilities in September. Aksenenko stated that 950 million rubles had been allocated to the project in 1999 from federal, city, and regional budgets, but did not say how much of that money had actually been released. The project's original cost was estimated at \$1.5 billion in 1995. However, costs have declined since the collapse of the ruble, reducing the overall investment needed to finish the project. The project's original plans called for it to be 153.3 kilometers long and have 6-8 lanes. Sixty percent of the road will cross through Leningrad Oblast. The western portion of the ring road should be completed in 2003.

YAROSLAVL LOSES HOCKEY CHAMPIONSHIPS. After several weeks of discouraging projections regarding Yaroslavl's preparations to co-host the 2000 world hockey championships with St. Petersburg, Yaroslavl has been stripped of the honor and all games and activities will take place in St. Petersburg. This outcome is not surprising

since the championships are only eight months away and the city is still struggling to raise sufficient funds to complete the construction of a new stadium that meets international standards (see *EWI Russian Regional Investor*, 5 August). As a form of compensation to Yaroslavl, the city has been offered the privilege of hosting some of the top games in the 2001 world youth hockey championships.

The loss of the 2000 championships is a significant blow for Yaroslavl. The city had hoped to greatly raise its international profile by welcoming 8,000 foreign tourists to the event, which was expected to bring in \$20 million. Additionally, the new facilities the city was building, as well as the publicity it would have received, would have improved its attractiveness as a tourist destination. (*Izvestiya*, 26 August, *Kommersant Vlast*, 24 August)

PATTERNS OF REGIONAL DEVELOPMENT

ROSSEL WINS FIRST ROUND IN SVERDLOVSK GUBERNATORIAL ELECTIONS. Following the first round of the gubernatorial elections, Sverdlovsk Oblast Governor Eduard Rossel will face the leader of the leftist May coalition Aleksandr Burkov. The results are surprising since all analysts had expected that Yekaterinburg Mayor Arkadii Chernetskii would face Rossel in the runoff. With turnout just over 40 percent (about 15 percent higher than the gubernatorial elections four years ago), Rossel took 39 percent of the votes, Burkov won 18 percent, and Chernetskii won only 15 percent. Local Communist Party leader Vladimir Kadochnikov won 9.5 percent, and businessman Igor Kovpak won about 9 percent. Two candidates won one percent or less of the vote and about five percent voted against all candidates. The second round will be 12 September.

Rossel was expected to do well despite the social economic situation in the region. Rossel has strong control over the media in the region. He built his campaign on the theme "vote with your heart," which worked very well with the rural electorate, especially when it comes to holding on to a voter rather than developing popularity.

Burkov is the 32-year-old former director of the Oblast Committee on Managing State Property in the Rossel government. After leaving this post he was not prominent on the public stage for more than a year, even though he was still a member of the House of Representatives in the oblast legislature. Burkov resurfaced again in May, when a group of Yekaterinburg citizens, angry that President Boris Yeltsin had fired Prime Minister Yevgenii Primakov, set up a committee to encourage Primakov to run for the position of Sverdlovsk governor. On the basis of that new organization, the May workers' movement seeking greater pay and benefits was established. The party, which is leftist but not Communist, quickly began to win the support of people angered by the delays in receiving their wages and pensions. The movement strongly criticized the governor for these problems and also engaged in actions such as taking over the offices of Sverdlovsk Oblast mayors and demanding the workers' pay. May also organized and financed a tent city outside the governor's offices in which workers sat in expectation of receiving their salaries. Of course, the workers did not receive their money, but Burkov bolstered his reputation as the defender of the people's interests. When Primakov politely declined to run for Sverdlovsk governor, Burkov jumped into the race. Observers had believed that Burkov would finish a strong third in the race, which would have put him in a good

position for the upcoming State Duma or Oblast Duma elections, the overall goal of his campaign. However, the protest vote turned out to be much stronger than expected. Now, the movement must define a strategy for taking on such a difficult opponent as Rossel.

Chernetskii, who underestimated Burkov's strength, must now gather all his resources to win the Yekaterinburg mayoral elections, which are set for this December. Assuming that Rossel wins the runoff, he will be in a strong position to make life difficult for Chernetskii.

The race also had implications for the national parties preparing for the State Duma campaign. In 1995, when Rossel won the gubernatorial campaign running against a candidate sponsored by then Prime Minister Viktor Chernomyrdin's Our Home is Russia (NDR), the race foreshadowed NDR's poor performance in the State Duma campaign. This year Chernetskii was backed by Moscow Mayor Yurii Luzhkov's Otechestvo, suggesting that that party may have some trouble winning regional votes in the December State Duma elections. – Nataliya Mints in Yekaterinburg

ELECTORAL SCANDAL SHAKES LEBED'S KRASNOYARSK KRAI. A new scandal incriminating Krasnoyarsk Krai Governor Aleksandr Lebed in financial violations of the campaign law has exploded in Krasnoyarsk during the last week. Lebed has built much of his reputation on avoiding such damaging scandals, and if the charges are proven, this blow to him could help his enemies. On 24 August, *Literaturnaya gazeta* published a long article entitled "Accountant of the electoral mafia," describing the activities of Yurii Bybin, who handled financial matters for Lebed's gubernatorial campaign last year. That night, the local television station TVK, which is owned by Lebed foe Anatolii Bykov, the chairman of the board of directors of the Krasnoyarsk Aluminum Factory, broadcast a long report by the well-known journalist Marina Dobrovolskaya on the same subject.

According to Bybin's account of the events, he was a young economist who started his professional career in Sberbank. When Lebed launched his gubernatorial campaign, Bybin went to work for him, handling all financial issues. He claimed that he regularly received cash payments (*chernii nal*) from the courier Andrei Cherkashin, who brought money every few days from Moscow. The operation was conducted in such secrecy that Cherkashin did not ask for any receipts from Bybin. When Bybin complained that he needed to account for the flow of money, Cherkashin told him to write whatever he wanted, but told him not to use his name.

Bybin tried to keep track of all the money, placing all the documents in five volumes, which he gave to Lebed's staff at the end of the campaign. He also kept copies of the receipts in his desk. The documents he kept show a flow of 14 million rubles, which at that time was worth about two million dollars. According to law, each candidate could spend up to 417,000 rubles on his campaign. Thus, if the documents mean what Bybin claims they mean, Lebed apparently spent more than 30 times as much money as he should have.

Bybin explained how he deposited the money in Sberbank by having voluntary contributors deposit up to 5,000 minimum wages in the bank. Much of the money was then transferred to the top campaign managers on Lebed's team. Some of the key figures received \$10,000 honorariums for their efforts. Bybin explained how merely publishing

the newspaper *Chest i Rodina* before the elections completely used up the official budget of the campaign.

Bybin grew concerned in the fall when Cherkashin disappeared without a trace. The next day his jeep was found in one of Krasnoyarsk's parking lots. Later, his wife announced a reward of several thousand dollars to anyone who could say what had happened to him, but no one came forward.

Bybin decided to protect himself and sent a copy of the documents he had to Moscow. The documents were in Moscow for about a month, and no newspaper was willing to do anything with them until *Literaturnaya gazeta* decided to use them. Bybin also gave the documents to the journalist Dobrovolskaya who is also a correspondent on ORT's "Sovershenno sekretno" program.

On 24 August the same day that the *Literaturnaya gazeta* article and TVK report appeared, Dobrovolskaya handed over the five volumes to the Krai Electoral Commission. On 30 August, the Commission announced that it would not consider the documents since most of the papers turned over were copies and not the originals. In making the announcement Electoral Commission Chairman Georgii Kostykin, usually a confident speaker, seemed pale, nervous, and unsure of himself. He argued that copies of the documents had no legal standing. Kostykin said that a majority of the deputies had voted and come to that conclusion. However, during the press conference, one of his deputies pulled out a document, noted that it was an original, and asked if the commission would also refuse to look at this. Kostykin did not answer. The press conference called into question the professionalism of the commission.

Lebed has made a number of responses to this case. Initially, he blamed everything on Moscow Mayor Yurii Luzhkov, who he said took the initiative in the publication. The next day he laid blame at the feet of Bykov. Just a few days before the scandal broke, the Krasnoyarsk Krai procurator filed charges against Bykov and gave an order for his arrest (see *EWI Russian Regional Report*, 26 August). Bykov remains in hiding.

The editor of the opposition *Krasnoyarsk gazeta*, Oleg Pashchenko charged that all the documents were authentic and called for both Lebed and Bybin to be thrown in jail. - Pavel Avramov in Krasnoyarsk

ST. PETERSBURG TRIES TO MOVE GUBERNATORIAL ELECTIONS. A group of deputies in the St. Petersburg Legislative Assembly are lobbying to move up the date of the St. Petersburg gubernatorial elections to coincide with the State Duma elections on 19 December. The elections are currently scheduled for Spring 2000. Pro-governor Deputy Vladimir Belozerskikh introduced the idea, catching the St. Petersburg administration by surprise.

St. Petersburg Governor Vladimir Yakovlev's press service issued assurances that Yakovlev never made any sort of announcement about possibly of moving the elections. The governor's chief ideologist, Vice-Governor Aleksandr Potekhin, stated that "the governor abides by the law and does not plan to hold elections ahead of time."

The procedure of changing the city's gubernatorial elections is rather complicated and cannot be confined to simply passing a law since the procedures for electing a governor are defined in the city charter and thus the charter must be amended. According to the charter, the next gubernatorial election should take place in April 2000. The

charter legally supercedes other regional laws. Thus, a two-thirds majority in the Legislative Assembly is necessary to amend it. The composition of the present assembly is not conducive to gathering such a majority. The strongest factions in the assembly, Yurii Boldyrev's bloc and Yabloko, which have blocking power, will be the first to oppose to this idea. Moving up the elections would give the governor an advantage because his opponents would have less time to organize. - Marina Makova in St. Petersburg

RUTSKOI AND LEBED AGREE TO COOPERATE. Kursk Oblast Governor Aleksandr Rutskoi and Krasnoyarsk Krai Governor Aleksandr Lebed signed an agreement last week on economic, technological, and cultural cooperation between their respective regions. On 26 August *Kurskaya Pravda* reported that cooperation will take place in such areas as the energy sector, resource extraction, machine building, light industry, agriculture, construction, transportation, communication, personnel training, and tourism.

Kursk Oblast's main interest in the agreement is the possibility of disposing of solid and liquid radioactive waste from the Kurchatov atomic power station at the Krasnoyarsk Krai landfill, which is the only facility of its kind in Russia. The waste from the Kurchatov station has not been removed for the last five years and is being stored at the power station. Additionally, Kursk hopes to begin using a new variety of fuel for the station's reactors. The fuel contains erbium, which is produced in Krasnoyarsk enterprises. This fuel will increase the plant's reliability and the length of service of the atomic reactors. In exchange for this, Kursk will supply manufactured goods to Siberia through barter arrangements.

The agreement, which expires on 31 December 2000, also demonstrates that both Lebed and Rutskoi are seeking to maximally stimulate the development of cooperative investment projects, including attracting foreign capital directed at reconstructing and modernizing enterprises and building new production facilities. - Sergei Sarychev in Kursk

POLITICAL ECONOMY

ORENBURG AND NOVOSIBIRSK LIMIT GRAIN EXPORTS. The bleak prospects for this year's harvest have caused a number of grain-producing regions to introduce a ban on the export of grain and grain products outside of their borders. In the past week, Orenburg and Novosibirsk adopted such decisions.

According to the Orenburg governor's press service, the ban is meant to ensure that enough food, seed, and fodder are stored to meet the region's needs and to supply grain to the state grain reserve. The export limits are also meant to ensure that there is enough grain to pay for fuel and other material resources.

The oblast administration agricultural department will control exports taking into consideration the region's demands for food, seed, and fodder, as well as its obligations to the state grain reserve and to manufacturers who supply the necessary resources for collecting the harvest. Permission to export grain and grain products must be obtained from the oblast administration's food inspector. - *Biznes Novosti Urala*

RUTSKOI INSTITUTES GRAIN BAN AS ELECTORAL TOOL. In July, for the second year in a row, Kursk Governor Aleksandr Rutskoi introduced an illegal ban on the export of grain outside of the oblast. There are several reasons for Rutskoi's decision. First, of the 352,000 tons of grain the oblast needs for its food fund, only 86,000 tons have been stored. Second, the oblast is trying to settle the agricultural sector's debts to fuel and fertilizer suppliers. In addition to these frequently repeated reasons, it is possible to add one more factor, which has probably had the greatest influence on Rutskoi's decision. Rumors are rampant throughout the oblast administration that the grain is being seized by the administration to cover Rutskoi's campaign expenses and ensure his reelection in elections that could be moved up to as early as this December.

However, Rutskoi cannot move the elections without the approval of the oblast дума. Yet to rely on the Duma's unconditional agreement is risky. The Duma has already suggested that it will refuse to approve the export ban. However, it is possible to find a way to keep the дума in check. For example, the Kursk Oblast charter states that if a quorum is not gathered in three official дума sessions, the дума is automatically disbanded. Rutskoi loyalists have already prevented a quorum at one session (see *EWI Russian Regional Report*, 11 August). Therefore, if the дума fails to gather a quorum two more times, it might be blackmailed into adopting the export ban. However, the deputies are not afraid of being dismissed. Such a move would be damaging to Rutskoi since if reelections are held in the near future, the deputies will be viewed as heroes who have suffered for justice, having an excellent chance at winning reelection to the oblast legislature.

Yet, what will happen is still anybody's guess. If early elections do take place, we will see for ourselves how the governor prepares himself. Rutskoi knows that he cannot expect financial help from Moscow as he did in 1996. Therefore, out of despair he is seizing the peasants' grain. It is rumored that even the money oblast officials previously took in return for secretly permitting bread exports is now also going to the campaign pot. The tax for one ton of grain is 100 rubles. Yet this is not the limit of the oblast powers' hypocritical policies. *Kurskii Vestnik* wrote on 25 August that Rutskoi himself, who publicly has repeated over and over that he would not allow one ounce of grain to leave the oblast, is looking to sell thousands of tons of Kursk wheat in Moscow.

Rutskoi will need a lot of money to pay out pensions, salaries, and benefits in the last days before the election. If all Kursk residents turn out to be as unpretentious and trustful as those who live in Kursk, Kurchatov, Zheleznogorsk or Oboyana (who received payment arrears on the day before the election and then voted for the party of power), then the governor's efforts will have been worthwhile. - Sergei Sarychev in Kursk

TVER GOVERNOR CALLS ON BANKS TO OFFER MORE MONEY TO REAL SECTOR. On 25 August, Tver Governor Vladimir Platov held a meeting with regional bankers and industrialists to discuss bank lending policy. Platov criticized the banks for not lending sufficient sums to the real sector of the Tver Oblast economy. He charged that the banks' resources are not being used to finance viable industrial projects and that much of the money is being spent beyond Tver Oblast borders. By citing the real problem that many of their loans are not being repaid, the bankers are now avoiding all long-term loans to industrial enterprises. Platov included the Tver branch of Sberbank in the group of guilty banks, pointing out that it has substantial financial resources that could be used

to help regional industry. The administration believes that there are many enterprises worthy of loans and is prepared to back their investment projects.

"We are not calling on the banks to make bad loans. But if you are really patriots of your region, prove it through real support for our producers. The oblast administration is willing to work in conjunction with the bankers in choosing which enterprises should receive the credits," Platov said (*Tverskaya zhizn*, 26 August).

Platov went beyond merely calling for the banks to cooperate with the governor, laying out conditions for the banks to continue working within the oblast. He said that if the banks do not begin to support the enterprises, then the administration would adopt strict measures in regard to the banks. The governor cited his agreement with the Tver Oblast representative of the Central Bank calling for monthly reports on the financial flows in the region. The governor is seeking to employ such strict measures not only because of the upcoming elections. He has yet to improve the difficult economic situation in the region. - Boris Goubman in Tver

ELECTIONS 1999/2000

DISTRICT 158: CAMPAIGN PREPARATIONS CONTINUE BEFORE RACE BEGINS

by Yuliya Yeliseeva

Political Atmosphere in the Region: Ayatskov Continues to Define Allies

SARATOV - Today the political situation in Saratov Oblast is completely indeterminate. Governor Dmitrii Ayatskov has yet to decide who will be his main allies in the upcoming elections. The statements of his press service have reached the point of absurdity: "The Saratov governor will work with those movements which defend the interests of the regions, such as Sverdlovsk Governor Eduard Rossel's Preobrazhenie Otechestva and Krasnoyarsk Krai Governor Aleksandr Lebed's Chest i Rodina. Additionally, the governor is ready to cooperate with movements who have commonsense platforms, such as Otechestvo, Vsyá Rossiya, and Yabloko."

The press has also published reports that Ayatskov is preparing to move the region's gubernatorial elections from August 2000 to 19 December 1999, the same day as the State Duma elections. Moving the election up would give Ayatskov a tremendous advantage over potential competitors. Moreover, there are indications that Prime Minister Vladimir Putin is preparing a decree that would allow the president to appoint regional leaders rather than have them elected by their constituents. The new system by which governors are appointed would not give Ayatskov any chances for holding on to his office. He therefore hopes to postpone his potential loss of office by moving up the elections.

The release of this information about his intentions was a surprise for Ayatskov and he was forced to issue a special statement. Such an announcement is unusual for Ayatskov because he generally prefers not to respond to criticism in the press. Ayatskov said that he intends to serve until the end of his term, but no one believed him. The governor seems bent on increasing his popularity, as is apparent from his recent decrees

making available cheap bread and gasoline in the region. He has apparently also assembled a campaign team.

Ayatskov is continuing to create tension among the potential State Duma candidates. At a recent meeting of the region's law enforcement agencies, he said that "the candidate who presents the voters with legislative initiatives and federal programs that use the potential of our region will have a chance to be elected to the State Duma from Saratov Oblast." He said that the governor's social chamber will discuss the candidates' platforms at its next meeting.

Changes in the List of Potential Candidates

During the last week, the field of candidates has changed. Vladimir Bulgakov, the former head of the oblast's Ministry of Internal Affairs who was removed at Ayatskov's suggestion and now is strongly critical of the governor, has dropped out of the race, and has thrown his support to Vladimir Rodionov. Bulgakov has offered his services in running Rodionov's campaign and now the staff is weighing the pluses and minuses of working with him. If Ayatskov vigorously works to oppose Rodionov, then Bulgakov will become an active member of the campaign team. One consideration holding Ayatskov back is his fear that former police chief Bulgakov may have some damaging material on him.

In a second potential scenario, in which Ayatskov neither hinders nor helps Rodionov's campaign, Bulgakov would only have a nominal role in the campaign, serving as a Damocles Sword, which could be used to threaten the governor. If the governor decides to support Rodionov, the most unlikely approach of all, then Bulgakov would not play any role in the campaign.

Aleksandr Shishanov has also dropped out of the race and has likewise offered to support Rodionov in his capacity as the head of a charity fund to help pensioners. However, Russian law forbids such organizations from playing a role in campaigns. However, there are many instances when such an organization can be used legally to support a campaign. Moreover, his services may be useful to the campaign since he used to work in counter-intelligence.

Some new candidates have entered the race as well. One is Oleg Komarov, the president of the large Slavyanskii Mir trade-industrial association and the owner of Saratov's largest market. Komarov is wealthy enough to finance his own campaign, but has little chance of winning since he is relatively unknown among the population.

City Soviet member Neli Chernenko has also announced that she will run. She tried to increase her political ranking by seeking to lead the local branch of Boris Nemtsov's Rossiya molodaya, but was defeated by another candidate. She is unlikely to win the seat but can spill the blood of potential opponents by her unpredictable actions.

There are also rumors that former Deputy Governor Vyacheslav Volodin, who is now a member of the Otechestvo-Vsya Rossiya Political Council, will enter the race. Apparently, he was not included on the Otechestvo-Vsya Rossiya party list and must seek a seat in a single-member district. If Volodin runs, Ayatskov could very well support Rodionov because he hates his former deputy who he believes "sold out" the governor in favor of Moscow Mayor Yurii Luzhkov. In order to prevent Volodin from winning, and his chances would be good, Ayatskov might change his mind and back Rodionov.

NOVOSIBIRSK STRIVES TO MAKE ELECTIONS MORE TRANSPARENT. By the end of August the Novosibirsk Oblast Electoral Commission had received notification from 7 candidates of their intention to compete in the region's gubernatorial elections. Among the most energetic candidates are incumbent Vitalii Mukha, his longtime opponent Novosibirsk Mayor Viktor Tolokonskii, and the First Secretary of the Novosibirsk Oblast Committee of the Communist Party of the Russian Federation (KPRF) Viktor Kuznetsov.

The electoral commission will officially register candidates five days after they turn in the necessary 30,000 nominating signatures. In order to begin this procedure, candidates must open a special account at Sberbank. The electoral commission has determined that candidates for governor may spend up to 10,000 minimum wages, or 834,900 rubles on their campaigns, which must be placed in the special accounts. Candidates' own money cannot fund more than 10 percent of this sum. The electoral commission is also strictly limiting the range of potential financial sources. For example, candidates may not use funds from foreign governments, legal corporations, or from organizations that are composed of more than 30 percent foreign capital. It is also forbidden to use money from state, municipal, and legal organizations that were registered less than a year before the beginning of the electoral campaign. Sberbank will issue information to the electoral commission about all sources of financing and sums from each candidate within three days of receiving it. This information will be public and accessible to any interested party. The first inspection of an account's financial operations occurs immediately after signature lists are handed in. Time will tell whether or not the electoral commission's procedure will lead to transparent financial operations, but it seems unlikely.

Even if the electoral commission is able to monitor campaign financing, the incumbent still has other powerful levers to give himself an edge in the race. In particular, the oblast administration recently announced that in October Novosibirsk will launch a new television channel, NTK, which will broadcast for 18 hours a day "on an experimental basis." The new channel will come on the air strategically close to the December gubernatorial elections and the list of founders of the new channel simply confirms its obvious relationship with the oblast administration. Furthermore, only the oblast administration has received permission from Moscow to broadcast on an experimental basis. Other broadcasters will likely be denied this possibility at least until December. Thus, the governor's team has received yet another powerful campaign instrument. - Irina Maslennikova in Novosibirsk

CENTER-PERIPHERY RELATIONS

VLADIMIR PUTIN IN NOVGOROD. Recent public opinion polls in Novgorod Oblast show that people trust the federal authorities less than they do Governor Mikhail Prusak or regional mayors. More than fifty percent say that they are the only ones who can solve their problems. The governor was in second place, followed by the municipal authorities. In his speech to the State Duma before he was confirmed, Prime Minister Vladimir Putin promised to increase the authority of the federal leaders in the eyes of the people.

In his capacity as prime minister, Putin made his first official visit to Novgorod Oblast. When asked why he chose Novgorod, Putin said, "I think that every prime minister would like to see Mikhail Prusak in his cabinet, but as far as I know, he does not plan to leave Novgorod. My visit is strictly about industrial issues and was planned by [former Prime Minister] Sergei Stepashin. I saw no reason to cancel it. Symbolically, my first visit is to primordial Russian land."

Even though Prusak will face the voters on 5 September in elections he is expected to win, Putin emphasized in his unsmiling manner that the purpose of his trip was business. With Putin in town, the Novgorod Oblast administration wanted first of all to ensure that Novgorod would receive 10,000 tons of rye by 1 October because of the bad harvest. Secondly, Prusak wanted to ensure that the government speeds up the implementation of its program developing the hothouse industry in 2000. The program provides state support for hothouses and includes reconstruction of a Novgorod plant that covers 12 hectares of vegetable producing land. Third, Prusak sought a 10 million ruble credit to develop the local poultry industry. Fourth, in connection with the drought, he sought 78.5 million rubles in financial aid for the agricultural sector. Fifth, he sought help in removing obstacles blocking the expansion of the internal market for the local fertilizer giant Akron. Finally, he sought help resolving financial problems in constructing a local oncology center.

Naturally, before promising aid, Putin wanted to be assured that the money would be used effectively. Putin visited the factory and construction site in question and said that he understood what the governor was trying to do. He also made clear that his government would not part with money easily. "We are prepared to give money," he said, "but only after gaining an understanding of your future construction plans."

As a result of his visit, he promised an additional 6 million to the poultry industry, and 10,000 tons of grain. He also took a list of the oblast's priorities and promised to study it, resolving problems where he could. In his first visit, Putin showed himself to be an assiduous leader who mostly sticks to business. Such an approach will raise the authority of the country's leaders. - Ivan Novgorodskii in Velikii Novgorod

PUTIN OFFERS DAGESTAN MORE MONEY, BUT LITTLE DIPLOMATIC HELP. Although the large-scale military conflict on the Dagestan/Chechen border has ended, no real settlement has been reached. Small-scale altercations are still rampant and republican forces are desperately trying to bring Dagestani Wahhabi leaders hiding out in Chechen territories back under their control.

On 27 August Russian Prime Minister Vladimir Putin visited Dagestan. However, the prime minister offered the republic little concrete help in negotiating a lasting settlement with the rebel forces, treating the situation primarily as a recovery mission. In Botlikh he awarded honors to the local militia and distinguished soldiers and officers of the Russian army. Putin also announced that the federal government would supply an additional 300 million rubles for reconstruction in Botlikh and Tsumadinskii raions. According to the republican ministry for emergency situations, 1,880 homes were damaged in the conflict. The republican government is now considering two possibilities for reconstructing settlements. The first option is to open up accounts for each respective family and transfer money to them directly. The other option is to resort to military construction services, which have offered to put up standard residences in the affected

areas. Yet, even before this reconstruction effort can go into effect the territories must be cleared of the damaging landmines, which have already injured several servicemen and residents.

After Putin met with Chairman of the Dagestan State Council Magomedali Magomedov, it was decided not to remove the armed Dagestani militiamen. At a press conference in the Makhachkala airport before flying back to Moscow, when asked how relations with Dagestani Wahhabis would further develop, Putin announced that such initiatives were the responsibility of republican powers, but that the Russian government was prepared to support them in the struggle against Islamic extremism. Thus, it looks like Dagestan is left to its own devices to handle negotiations. This is particularly difficult as the contrast between Islamic extremism and a flood of anti-Islamic rhetoric becomes sharper, further contributing to hostility in the region and making it more difficult to regain stability. - Nabi Abdullaev

LOCAL GOVERNMENT

LOCAL SELF-GOVERNMENT OR GOVERNMENT GONE LOCAL? THE CASE OF ADYGEYA

by Tomila Lankina, University of Oxford

Despite federal efforts to strengthen local self-government in order to keep regional regimes in check, Russia's republics continue to successfully evade full-fledged local government reform. The republic of Adygeya, a former autonomous oblast landlocked in Communist-dominated Krasnodar Krai, is illustrative of this trend.

The highly subsidized republic has formally complied with some of the most disliked federal reforms. Adygeya's capital city, Maikop, which possesses much of the rural republic's scant economic wealth, now has a popularly elected mayor (administration head) and a Council of Representatives. Territorial district (*raiony*), town (*poselok*), and village (*selo*) governments have also introduced popularly elected mayors and councils.

However, although Adygeya has complied with federal law by introducing local government reforms, some of the republic's practices continue to violate the law. For example, Maikop Mayor Mikhail Chernichenko is also the head of the republican Ministry of Local State Government (*mestnoe gosudarstvennoe upravlenie*) and a member of the republic's Cabinet of Ministers. Upon election, his powers are "confirmed" by Adygeya President Aslan Dzhарimov. This relationship between the mayor and chief executive is not simply symbolic, but has some legal foundation. While local functionaries will assure you that the procedure is very complex, the popularly elected mayor can nonetheless be removed by the president. As a government official, the mayor also becomes subject to the "Law on State Service of the Republic of Adygeya," which lists a number of perks such as financial rewards, valuable gifts, etc., and punishments including dismissal from service. Herein lies the distinction between "local self-government" proper and "local state government": an elected figure on a local level, the mayor is delegated "certain government functions," and is held responsible for them by the president. The local opposition complains that Chernichenko favors the

republican administration when he must choose between his two roles, as a popularly elected official and cabinet minister. Heads of raion administrations are likewise included in the "local state government" category.

Local self-government proper is thus formally operational only on the town and village levels. While the elected town and village heads are widely known to be controlled by regional administrations via budgetary means, until recently little could be done to remove them as popularly elected figures, a guarantee of sorts against the arbitrary power of higher executives. The same held true for deputies in the local councils. However, an amendment to the republic's local government law put into effect in July threatens to curb even this limited degree of protection. Heads of town and village administrations will now be elected from among council deputies, their candidacies presented by the raion head, and can be removed by the council. Given the power of the raion head over lower level council deputies, it would not be difficult for a raion boss to get rid of an overly independent local head. Another amendment is currently being debated. If adopted, it will allow the removal of council deputies without waiting for their terms to end.

Regime consolidation lies at the heart of this trend towards establishing direct control over local self-government, largely framed in economic efficiency terms. As elsewhere in Russia, Adygeya's officials are all too quick to dismiss compartmentalizing local power as a huge administrative anomaly: "we are like a human body, you can't tear off the head from the other parts!" Comparisons to neighboring Krasnodar Krai, which is plagued by the economically damaging battles between the krai governor and the Krasnodar City mayor are also used as an argument in favor of regime consolidation.

Yet, economic arguments aside, it is not by accident that Russia's ethnic republics have been the staunchest opponents to local self-government reform, Adygeya notwithstanding. The Dzharimov regime, which the non-Adygei opposition accuses of trying to build an "ethnic state," rests on a shaky foundation given the republic's ethnic composition of only 22 percent Adygei, with the remaining 78 percent largely comprised of Russians, Ukrainians and Armenians. Heads of local administrations serve as transmitters of the official ideology of executive power personified by Dzharimov as the bearer of "order, inter-ethnic peace and harmony" in the face of potential and real challenges to the regime -- be they ethnic, political or economic. In response to this situation, the leading opposition group, the Union of Slavs of Adygeya, made genuine local self-government a key program demand at its most recent congress. According to its leaders, no activity normally associated with social movement work, such as organizing a local gathering expressing alternate points of view or soliciting local opinion on thorny political issues, is possible in the locales without the approval of the local "Tsar and God." Staunch local resistance to opposition activism makes the opposition's other programmatic goal of holding a referendum in areas with a high concentration of ethnic Russians about returning the territories to Krasnodar Krai's jurisdiction seem like a hopeless utopia.

Regime critics point out that the absence of real local self-government also prevents them from checking regime corruption and arbitrary administrative rule, which often go against the interests of localities. This challenges the prevailing view that local self-government is meaningless without a solid financial base, a view that has gained popularity throughout Russia. "This is precisely what local self-government is for, to get

money...to address the problem of returning revenue to the population," maintains Vladimir Karatayev, a former Maikop deputy and a Union of Slavs activist.

This year the Maikop council filed a lawsuit against three of Dzharimov's decrees cutting the local budget even though the city was already a major donor to the republic. The city won the case in court. While the lawsuit allegedly received tacit approval of Mayor Chernichenko, he did not have the brazenness to openly challenge Dzharimov, allowing the more autonomous council deputies to handle the case. An earlier battle for city coffers was less successful when a city council initiative to turn a dilapidated Maikop school field into a shopping zone that would have benefited both the city budget and local residents was curbed. Instead, the land was taken over by the republic for Aslan Dzharimov's personal villa. On a more local level, the head of Kirovskiy town district administration, Viktor Chernenko, recalled how the higher regional administration had tried to deprive the town of its most important local land assets. It was determined that the town district would receive bushes and ravines, while the region received the fertile lands.

In mid-August a high-level government meeting involving Dzharimov and Chernichenko, faced with pressure from federal bodies to introduce genuine local self-government at the Maikop city level, discussed local self-government reform. The precise nature of proposed amendments has not yet been made public. Republican officials maintain, however, that by the end of the year, Adygeya's locales will be fully self-governing. There is a catch, however. While Maikop city itself is likely to be split into proper self-governing institutions on the city district level, the city mayor will most certainly retain his dual subordination, whatever the precise form of the new arrangement. From the leader's standpoint, it would perhaps indeed be foolish to give up this key position in the political machinery on the eve of the December State Duma elections. Logos from Moscow Mayor Yurii Luzhkov's Otechestvo, Dzharimov's preferred federal movement, have already been sighted overlooking mass social gatherings organized by Chernichenko.

FOREIGN TIES

WORLD BANK INSPECTORS HAPPY WITH ROSTOV LOANS. Rostov Oblast is carrying out two projects with the support of the World Bank. One project is spending \$96.5 million on the support of social infrastructure, such as rebuilding schools, medical clinics, and other public buildings. The other is directing \$36.95 million for the repair and reconstruction of the city's public transportation system. A delegation from the bank visited the region on 20 August and declared that it was happy with the way that the funds were being spent.

Because of the devaluation of the ruble, many Russian regions have suspended their participation in World Bank loan programs. Regions that took hard currency loans before 17 August 1998 now have to repay the money with much more expensive rubles. Rostov found itself in a similar situation with the transportation loan. More than \$20 million of the \$37 million loan had been dispersed before the Russian economy collapsed. Governor Vladimir Chub even decided to end the program. However, the conditions of the program dictated that if the region dropped out, it would have to return the money already taken, with interest, and this sum was greater than half of the oblast

budget. After difficult negotiations with the Finance Ministry, a way was found to continue using the transportation credit and ultimately pay back the money. However, Rostov officials remain unhappy with the program because it requires them to purchase Mercedes buses from Turkey even though it would be significantly cheaper to buy Swedish Volvos.

Rostov has done much better with the social infrastructure credit. Most of this program has been carried out since 17 August, so the oblast has been able to take the new conditions into account. Using the same amount of hard currency, the oblast is now able to reconstruct many more schools, hospitals, and sewage stations than originally planned.
- Andrei Miroshnichenko in Rostov-na-Donu

BELARUS AND KALININGRAD HEAD FOR CLOSER COOPERATION. On 25 August Belarusian Ministry of Foreign Affairs General Secretary Aleksandr Petrov led a working group visit to Kaliningrad. The delegation included representatives of the ministries of industry, transportation, and culture, the Belarusian railroad, the concern "Belarus," the state fishing company "Gosrybkhhoz," among others. The goal of the visit was to organize a trip for Belarusian President Aleksandr Lukashenka for 14-22 October. While in Kaliningrad, Lukashenka plans to sign an agreement establishing long-term cooperation between Belarus and Kaliningrad Oblast.

During their stay, the Belarusian delegation announced that Belarus is working on a program to create a fishing fleet, and that Kaliningrad shipbuilders may receive orders to build ships that will be based in Kaliningrad ports. Belarus plans to pay for these ships by supplying goods to the oblast rather than money. - Yekaterina Vasileva in Kaliningrad

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events In the Regions

Dispatches from the Field: Special Report from Vladivostok and Krasnoyarsk

Vladivostok (4-12 September)

Political Life

Primorskii Krai Gubernatorial Campaign Over Before it Starts

Center-Periphery Relations

Moscow Looms Large on Russia's Pacific Coast

Media Issues

Governor Throws Critical Newspaper Out of Offices

Organized Crime

Four Major Mafia Groups Allegedly Divide Up City

The Russian Far East Beyond Primorskii Krai

Far Eastern Governors Dominate Their Regions

Little Cooperation Among Neighboring Regions

The Russian Far East and Its Neighbors

Beyond Formalities, Few Dealings with Neighboring Countries

Border Issue Remains Crucial for Nazdratenko

Driving-Around Impressionism

Cheap Japanese Imports Flood Vladivostok Market

The Politics of Road-Building

Krasnoyarsk (12-15 September)

Political Life

North Caucasus Crisis Raises Lebed's National Profile

Court Orders Study of Lebed Campaign Financing Documents

Bykov Joins Forces with Zhirinovskiy

Uss Rejects Otechestvo-Vsya Rossiya Leadership

Political Economy

Lebed, Bykov Battle over Aluminum Continues

Lebed Battles to Gain Control of Krasnoyarsk Coal

Commercial Buses Strike Causes Chaos in Krasnoyarsk Traffic

Krasnoyarsk's Neighbors

Younger Lebed Likely to Seek Second Term in Khakasiya

Patterns of Regional Development

Early Elections Prove Successful for Omsk Incumbents...

...And Prusak As Well

Rossel Wins Reelection, But New Opposition Emerges

Stepashin to Run From Starovoitova's District

Regional Resources

Siberian Aluminum

Kommersant Daily-Siberia

Ekonomika i Zhizn-Siberia

Leningrad Elections On-Line

Advertisements

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BREAKING NEWS

POLITICS

SEMENOV TRIES TO TAKE OFFICE IN KARACHAEVO-CHERKESIYA. Nearly four months after winning popular election to the post, on 14 September Vladimir Semenov was inaugurated president of the Karachaevo-Cherkes Republic. The inauguration took place not in the republican capital of Cherkessk, but in the town of Us-Dzhegut. The reason for holding the ceremony there was obvious--Cherkessk has been the stronghold of Cherkes opponent Stanislav Derev's supporters, who would have undoubtedly amassed a protest demonstration if Semenov tried to hold his inauguration in the city. Ust-Dzhegut is a primarily Karachai territory, thus the security threat in holding the ceremony there was minimal. Only a few residents, deputies, and members of Semenov's campaign staff attended the ceremony. No representatives from the federal government were on hand for the ceremony, which was actually only an unofficial measure installing Semenov as the chief executive of the republic. Technically, according to Russian presidential decree and the decision of the Supreme Court, executive power still remains with acting president Valentin Vlasov. Vlasov has refused to step down, claiming that no one has relieved him of his post yet. Following the inauguration Vlasov left for Moscow, presumably to ascertain from the federal government how he should handle the situation. Neither Cherkessk nor the federal government are recognizing Semenov's authority, and only the republican prime minister has left his position in accordance with Semenov's decree dismissing the present government. The Kremlin did not react to Semenov's inauguration, but the prime minister's resignation caused concern among several officials.

However, in spite of Semenov's eagerness to take office and the federal government's general support for the president-elect throughout the difficult proceedings since the election,

none of the options Moscow is likely to pursue to restore order to Karachaevo-Cherkesiya include Semenov in the picture. The federal government will probably do one of two things, either amend the electoral law in order to establish a power structure similar to the State Council of Dagestan, in which each ethnic group is represented in proportion to its percentage of the republican population, or hold new presidential elections in the republic. The course of action must be determined immediately since if new elections are to be held simultaneously with the State Duma elections on 19 December, then they must be officially announced no later than 19 September. Both of these options are acceptable to the Cherkes population, which has threatened to establish its own autonomous government if Semenov assumes power as the republic's chief executive. The Cherkes would also approve a third option of appointing a Russian general-governor in the republic. (*Vremya MN*, 15 September, *Nezavisimaya Gazeta*, 16 September, *Kommersant Daily*, 15 September)

YELTSIN APPOINTS NEW REGIONS POINTMAN. President Boris Yeltsin appointed Igor Shabdurasulov as the presidential administration first deputy chief of staff on 3 September. That position had been left open since June when Oleg Sysuev quit the post. Shabdurasulov used to be the head of Russian Public Television (ORT). He will now handle relations with the regions, a task that was once performed by Sysuev. Shabdurasulov had worked in the Kremlin before, dealing with Yeltsin's speechwriters. (*Nezavisimaya Gazeta*, 4 September)

NEELOV REMOVED FROM GASPROM BOARD. At the Gazprom board of directors' meeting on 26 August, Yamal Nenets Governor Yurii Neelov was not reelected to the board. His region produces about 90 percent of Russia's natural gas. The federal government has five of the 11 seats on the board and wanted to be sure that all five of its delegates would staunchly support the state position. Since Neelov is democratically elected and not directly subordinate to the Kremlin, the federal leaders believed that it would be too much of a risk to include him. (*Kommersant-vlast*, 31 August)

ECONOMICS

LUKOIL BUYS OUT KOMITEK. On 15 September KomiTEK shareholders approved LUKoil's takeover proposal, in which LUKoil will swap one share in its enterprise for 4.2 shares in KomiTEK. KomiTEK's current board of directors is made up almost entirely of LUKoil top managers. LUKoil Deputy President Leonid Fedun commented that the KomiTEK acquisition will help LUKoil consolidate its hold on the Timan-Pechora basin in Russia's north west, which has estimated oil reserves of 3 billion tons. KomiTEK has 400 million metric tons of oil reserves in Timan-Pechora and 57 percent of its wells remain idle. This acquisition will increase LUKoil's crude oil extraction by 8.6 million tons and allow oil and gas reserves to grow by 26 and 78 percent, respectively.

Overall, LUKoil will pay \$500 million for KomiTEK, \$300 million of which will be the market value of LUKoil shares. LUKoil will also take over \$200 million of KomiTEK's debts.

The full acquisition will take place in November after a 9 percent government stake in LUKoil is auctioned off. (*The Moscow Times, Nezavisimaya Gazeta*, 16 September)

TOBACCO PROCESSING PLANT OPENS IN LENINGRAD OBLAST. On 9 September the company Kres-Neva opened Russia's first tobacco processing factory in the Lomonosov district of Leningrad Oblast. The US firm Standard Tobacco Company supplied the \$18 million for the factory. Standard Tobacco Company is the third largest tobacco processing company in the world, with a turnover of nearly \$1 billion in 1998. The new factory will produce ground up fibers necessary for cigarette production that, until now, have been purchased from abroad. The factory will produce 20,000 tons of its product annually, the cost of which will be 10 percent less than imported materials. (*Kommersant Daily*, 11 September, *Vremya MN*, 10 September)

ST. PETERSBURG BEER MARKET CONTINUES TO EXPAND. Bravo International launched a new brand of beer, Yunkerskoe, on the St. Petersburg market on 7 September. The new beer is named after the lowest officer rank in the pre-revolutionary Russian army and will be promoted by well-known Russian film director Nikita Mikhailov. Bravo International, which is better known as a soft drink producer, entered the beer market in March with Bochkarev beer. It then introduced Germany's Lowenbrau and Denmark's Bear Beer with a license from the original producers.

Other St. Petersburg breweries are also responding to the rising demand on the Russian beer market. The Stepan Razin brewery, which holds the largest share of the city market at 38 percent, has named its new brand after the city soccer team, Zenit, which won the league championship this season. (*The Moscow Times*, 9 September)

DISPATCHES FROM THE FIELD: SPECIAL REPORT FROM VLADIVOSTOK AND KRASNOYARSK

For the last two weeks, I've been traveling in the Russian Far East and Eastern Siberia. I visited Vladivostok, Krasnoyarsk, the Krasnoyarsk Hydro-Electric Dam, and the Borodino Coal Pit. Here are some quick impressions of what is going on in these regions, along the lines of the usual topics in the *EWI Russian Regional Report*.

Primorskii Krai and Krasnoyarsk are like many other regions in that the personalities of their governors shape political life. They are also similar in that they have relatively diversified economies with many major financial interests involved. Governor Yevgenii Nazdratenko has to struggle to keep control of Primorskii Krai and is clearly nervous about winning the December 1999 gubernatorial elections. Nevertheless, he has the local media firmly in his grasp and is expected to secure another term. He goes from scandal to scandal, but seems to be slowly defeating his enemies.

In Krasnoyarsk, Lebed has not managed to gain control of the media and the local TV news and newspapers are constantly criticizing him. He is constantly trying to gain leverage over the local energy and aluminum sectors, but so far has had limited success. In Anatolii Bykov, the

most important man at the Krasnoyarsk Aluminum Factory, he faces an enemy much more powerful than anything Nazdratenko is up against in his krai.

Another striking feature of life in these regions (as well as many others) is the role commercial transportation plays. As public buses, trolley buses, and trams stop running, private entrepreneurs have stepped in to fill the gap. Their importance was particularly obvious when they went on strike in Krasnoyarsk on 14 September.

Research for the following reports was supported by a grant from the International Research & Exchanges Board, with funds provided by the US Department of State (Title VIII program) and the National Endowment for the Humanities. None of these organizations is responsible for the views expressed. - Robert Orttung

VLADIVOSTOK (4-12 SEPTEMBER)

POLITICAL LIFE

PRIMORSKII KRAI GUBERNATORIAL CAMPAIGN OVER BEFORE IT STARTS.

Try as he might, Governor Yevgenii Nazdratenko just cannot grasp full control of Primorskii Krai. The economy is simply too complex and diversified. As soon as he stamps out one opponent, another appears on the scene. By all accounts, Nazdratenko will win the gubernatorial elections likely to be held on 19 December, but he will have to work very hard to do it.

Even though he is not yet a registered candidate, Nazdratenko's gubernatorial campaign is well underway, as everybody but the local electoral commission can see. Window shoppers along the city's main streets and passengers moving through the local airport are confronted with expensive color posters that proclaim "Our Governor - Yevgenii Ivanovich Nazdratenko." The poster proudly displays the man in question doing all sorts of good things for local people. Using rather inscrutable logic, the electoral commission determined that since the governor is not an official candidate, the posters cannot be considered part of his campaign, and therefore is legal even though the time officially allotted for the campaign has yet to start.

Despite the predictions of political analysts, Nazdratenko is unsure of his victory and is doing everything he can to insure that he does win another term. First of all, he is trying to set the rules under which the elections will be conducted in a way that favors him. The decision on the elections will be made on 16 September when the Krai Duma will hold an extraordinary session. However, the battle over Duma Chairman Sergei Dudnik may intervene in what decision is made. Dudnik is now the highest ranking official opposed to Nazdratenko in the krai, and since August the pro-Nazdratenko faction in the body has been trying to remove him from the speakership. Even though Dudnik's opposition has a majority, a group of 14 Dudnik supporters have foiled attempts to remove him by walking out of the sessions and depriving the body of a quorum. Krai Duma member Vladimir Ignatenko, who leads the pro-Nazdratenko faction in the regional legislature, accuses Dudnik of using his position to engage in political activities rather than organizing the work of the Duma, and claims that this is the reason he is seeking to remove Dudnik. For his part, Dudnik charges that the governor cannot stand any

kind of opposition, pointing out that the krai Duma has had four leaders in as many years (*Zavtra Rossiya iz Vladivostoka*, 7 September).

If the legislature is not able to call the new elections, the krai will not be able to hold its elections on 17 December, when the State Duma elections will take place. In that case, the krai electoral commission would set the elections for January. Nazdratenko might favor postponing the elections in this way because it would reduce turnout. Nazdratenko wins most of his support in the rural areas of the krai, while he is less popular in urban districts. If the elections are held in January, the more cynical city voters would be likely to stay home, while rural voters would likely come to the polls. Additionally, in rural areas it is much easier for election officials to ensure that the appropriate candidate wins since there are fewer people to monitor how the votes are counted.

Nazdratenko also has solid support among many of the big companies working in the krai since they depend on their personal ties to his administration to continue doing business. Many of the big firms owe large amounts in tax debts. If Nazdratenko does not help them restructure these debts, they could be declared bankrupt and taken over by the regional authorities. Medium-sized business is divided 50:50, while small businessmen are almost entirely opposed to Nazdratenko. While many businessmen may not like Nazdratenko's policies, they fear instability even more. If someone were to replace him, the larger businesses would have to develop new ties with the administration and there would be a major redistribution of influence. As a result, many people would prefer to maintain the status quo, even if they do not particularly like Nazdratenko's policies.

Dudnik is respected in the krai, but is given little chance of beating Nazdratenko. One local newspaper liked his speeches, but when the reporters tried to confirm the figures he had cited, they discovered that he had exaggerated his accomplishments. Such findings dramatically reduced his credibility.

Former Vladivostok Mayor Viktor Cherepkov is also likely to run for governor, but few people believe that he will be able to win. The governor controls all of the serious media in the region. Cherepkov has lost whatever powerful friends he once had in Moscow. Moreover, Cherepkov has the reputation for being a little bit crazy. One official reported going to see him and found no one in the office. Then he heard Cherepkov's voice from under his desk saying, "I'm under here communicating with the cosmos."

Other potential candidates include Aleksandr Kirilichev, the director of the Primore Shipping Company (PRISCO). He has his own source of financing and has not been implicated in any major regional scandals. He is very popular among opposition-minded intellectuals and will likely base his campaign on criticism of the governor and stories about his success in managing PRISCO. The incumbent has already launched a campaign against him, publishing critical articles in administration-sponsored newspapers such as *Vladivostok - Nash gorod* (2 September). One article, for example, pointed out that PRISCO does most of its business off shore, thereby depriving the krai budget of considerable tax revenue (*Konkurent*, 7-12 September).

CENTER-PERIPHERY RELATIONS

MOSCOW LOOMS LARGE ON RUSSIA'S PACIFIC COAST. Despite being seven time zones away, the capital plays a major role in the life of Primorskii Krai. Given the region's location on the edge of Asia, one would think that electronic goods would be relatively cheap here. In fact, they are more expensive than in Moscow. The problem is that the federal government sets import tariffs very high in the Far East and it is simply easier for South East Asian producers to send their goods to Hamburg, from whence they are shipped to Moscow and then on to Vladivostok. Such trade is very profitable for Germany and locals think that is one of the reasons that German Chancellor Helmut Kohl was so close to Yeltsin.

Vladivostok seems to live from one energy crisis to the next. In 1997, residents lost electricity, heat, and hot water for up to 18 hours a day. Usually during a crisis, government commissions arrive from the capital, extraordinary decisions are adopted, the situation improves a little bit, and the region survives on to the next crisis. This year, given the usual Russian pessimism, everyone is expecting a cold winter. But the politicians are prepared. During the last part of August Nazdratenko, who is facing reelection in December, launched a loud campaign warning that the local electricity utility, Dalenergo, was planning to raise its rates. Dalenergo is a subsidiary of Unified Energy System, whose chairman is Anatolii Chubais, an old enemy of Nazdratenko. This time the government commission determined that electricity prices should not go up before the end of the year and even called for a reduction of as much as 15 percent (*Yezhedevnnye novosti*, 7 September). The local pro-Nazdratenko media scored this announcement as a big victory for him.

For its part, the utility is not taking the situation passively. In early September, it was running ads in local newspapers that said, "Vladivostok enterprises and organizations owe the utility 842,151,690 rubles. Please pay for your gas and heat." The utility is also demanding that at least 50 percent of the payments be in real money rather than barter exchanges.

The vicious cycle that causes the energy crises is not likely to be broken soon. Customers do not pay Dalenergo for their electricity. The utility then does not pay for the coals it burns to generate the electricity, and the coal miners then go on strike, starting another crisis.

MEDIA ISSUES

GOVERNOR THROWS CRITICAL NEWSPAPER OUT OF OFFICES. After publishing several articles critical of Primorskii Krai Governor Yevgenii Nazdratenko, the newspaper *MK vo Vladivostoke* must find new offices within a week, Editor-in-Chief Andrei Kalachinskii said in an interview on 9 September. Kalachinskii did not then know where the new offices would be. The newspaper has invested in remodeling its current space on one of the city's main streets (Okeanskii Prospekt, 13), but the city administration, which owns the building, has refused to extend their lease. Since Nazdratenko removed Vladivostok Mayor Viktor Cherepkov and replaced him with acting Mayor Yurii Kopylov, the city and krai administrations have worked very closely together.

With a print run of 40,000, *MK vo Vladivostoke* is the most popular commercially-produced newspaper in the region. The krai administration sponsors the publication of several other newspapers with print runs of 150,000 and 300,000, but they are distributed to residents' mailboxes for free. Several other newspapers take a critical stand on Nazdratenko's actions, but

they all have relatively small print runs. Nazdratenko controls all of the local TV stations, which provide most people with their information.

MK vo Vladivostoke is able to eke out its survival through advertisements and newsstand sales. Nevertheless, the krai administration has many levers it can use to pressure the paper besides controlling the lease on its office space. Many big companies in the region depend on maintaining good relations with the governor to continue doing business, so they are not willing to advertise in a paper that publishes articles critical of him. The same applies to foreign investors, and large companies like Samsung and LG, which advertise their domestic electronic products, also will not advertise in papers seen as opposing the governor. As a result, the paper has to find many small advertisers. Paper and printing fees are very high and the administration controls access to Dalpress, where the paper is published.

The best thing that outsiders could do to support a free press in the Russian regions would be to establish publishing houses that would publish newspapers cheaply, Klachinskii said. Establishing such publishing housing would give local journalists much greater freedom to publish what they believed necessary to publish.

MK vo Vladivostoke buys the right to publish material from the central newspaper *Moskovskii komsomolets* in Primorskii Krai. The local newspaper is thus made up of articles from Moscow-based writers and local content prepared by local writers. The Moscow paper publishes numerous such editions around the country. The Moscow office sees these arrangements with its regional editions as a money-making operation and will only support its provincial colleagues in a political battle with the regional administration if the local operation is able to turn a larger profit than a newspaper that is more loyal to the regional authorities. In the past, *Moskovskii komsomolets* has published material about Nazdratenko that is more favorable than *MK vo Vladivostoke* believes is accurate.

According to Kalachinskii, Nazdratenko puts pressure on all newspapers that do not support his views. When the administration begins to publish negative information about its opponents, such as Krai Duma Speaker Sergei Dudnik, *MK vo Vladivostoke* will run an interview with them so that voters will have more objective information. The newspaper suffers because there is no real strong opposition in the city. The climate was freer when Nazdratenko was under attack from Moscow, as in 1997, or when stronger opposition politicians, such as Cherepkov or former Presidential Representative Viktor Kondratov, were active in the city. Businesses are unlikely to support an opposition candidate because their ability to function in the region depends largely on their personal contacts inside the krai administration. If a new leader comes to power, there will be a redistribution of power as new people take over and a large amount of instability. Even if businessmen are not happy with the current situation, they prefer it to one that could potentially be worse.

Although in many regions readers are not interested in politics, newspaper readers in Primorskii Krai remain engaged because they are absorbed in the battle between the two major personalities of Nazdratenko and Cherepkov. Even though Cherepkov is considered somewhat crazy, people like him because they believe that he speaks the truth and was able to implement many programs to improve life in the city. Readers also like to follow events in the fishing and shipping industry since many of their lives are closely connected to them.

On 9 September, *MK vo Vladivostoke* marked its 100th issue in nearly two years of existence. Among its sharpest articles during this time were pieces about the fishing industry and various crime reports. The paper also published a review of Governor Nazdratenko's recently issued book, *I vsya Rossiya - za spinoi*, which listed it in the best traditions of North Korean hagiography.

ORGANIZED CRIME

FOUR MAJOR MAFIA GROUPS ALLEGEDLY DIVIDE UP CITY. There is little publicly available information on organized criminal activities in Vladivostok. However, hearsay evidence seems to run along similar lines. Observers suggest that the city is divided into four regions, each under the control of a different group. The groups control much of the business activity in those regions, such as retail trade and restaurants. Businessmen who work in one region generally do not like to expand into others because it means establishing ties with another group. Thus successful restaurants are unlikely to be able to open new outlets in different parts of the city.

The organized crime groups in Vladivostok are not under the control of similar groups in Moscow. In the Far East, the crime groups make their money selling used Japanese cars in the region (a declining source of income since the market is satiated) and illegally catching and selling fish abroad. In Moscow, much of the organized crime income is based on drug trafficking.

THE RUSSIAN FAR EAST BEYOND PRIMORSKII KRAI

FAR EASTERN GOVERNORS DOMINATE THEIR REGIONS. Among the ten regions that make up the Far East, the governor dominates the political scene almost completely in all but two cases. The August 1998 economic crisis only confirmed most governors' impression that the federal government could offer them little help and that they would have to solve their own problems. As a result, the governors are taking on more power and responsibility for their regions and therefore are becoming more accountable for their successes or failures. They can no longer simply pass the buck to Moscow.

In eight of the regions of the Far East, there is a relatively small population and much of the local economy is based on a very small number of industries. Several regions depend heavily on fishing, while Amur is largely agricultural. In these eight regions there is usually consensus among the political elite. In many cases, it is not clear who controls whom, the governor or the "establishment." In Kamchatka, for example, there are 13 main fishing families and it is not clear where power lies.

Primorskii Krai is an exception because it has a relatively diversified economy and a large population base. Although Governor Yevgenii Nazdratenko sits atop the power structure, he must work extremely hard to maintain his control (see related article in this issue). Sakhalin's economy is dominated by the energy industry and it has a relatively small population, but it is an exception because there is a large foreign presence on the island.

Sakhalin Governor Igor Farkhutdinov is the weakest in the Far Eastern region and will face considerable difficulty winning reelection in November 2000. The development of the region's oil and gas deposits are not going as quickly as expected and the local people feel that they are not getting anything out of the on-going development process. During the summer months, residents faced power outages of up to 90 minutes a day and everyone expects the situation to be much worse during the coming winter.

Much of the problem lies with the federal government, which has no sense of urgency in speeding up the energy development projects. The region has benefited from the payment of \$67 million in bonus money from the oil companies, but the money has not always been spent wisely. The regional Duma is more aggressive than in other regions and has sought to play a larger role in determining how the bonus money is spent and in making legislation generally.

Khabarovsk Krai is an example of a region where the governor maintains complete control. In some aspects having such a powerful executive has proved beneficial and the region has avoided the kind of energy crises that its neighbors often face. However, local observers think that Ishaev's obsessive control over the region is making it difficult to do business there. The US is going to close its business development office in the region and even Chinese traders complain that it is the most difficult region of the Far East to work in. Ishaev's manner of governing may create short-term stability while fostering difficulties in the long run.

Ishaev does not face the same kind of political problems that Nazdratenko does because the mayor of Khabarovsk city is a close ally and the speaker of the krai Duma is unlikely to oppose the governor in any serious way. Economically, the city benefits from the military factories on its territory which are employed making weapons for export to China. In the future, local enterprises will likely benefit from federal production-sharing agreement legislation, which requires the use of 70 percent local equipment in the development of Sakhalin energy.

Magadan's Valentin Tsvetkov is an anti-Moscow leader. He was elected as an outsider winning much of the region's rural vote. He has secured clear sources of income for his region by opening a gold processing factory and winning concessions from Moscow to establish a free economic zone on 5 July 1999 (see *EWI Russian Regional Report*, 17 June). Tsvetkov's administration succeeded in obtaining the zone by intensive lobbying in Moscow. The zone frees investors of 25 percent of customs duties and 40 percent of federal taxes. The federal taxes and customs duties that are collected go directly to the oblast budget. Oblast officials claim that they have resolved the 16 contradictions with other federal legislation that the free enterprise zone law created. It remains to be seen how effective the zone will be. Magadan is a relatively remote location and it is not clear how much business the concessions will attract.

Kamchatka Governor Vladimir Biryukov is vulnerable in next fall's elections because he has not been able to resolve the region's energy problems. During the summer of 1999, many apartments lacked electricity and locals demonstrated outside the krai administration building. He depends heavily on subsidies from Moscow and his fate will depend on how much support he can muster in the capital. His son is working for Slavneft, but it is not clear how this will affect the governor's political standing. The region is seeking local solutions for its energy problems, but there are no easy answers.

Sakha is the largest economy in the region, contributing about 27 percent of the Far East's gross regional product (see *Dalnii vostok Rossii*, no. 1, 1999). It is the only region in the area with republican status and tends to stand apart from the rest of the Far East since it is also part of Siberia.

LITTLE COOPERATION AMONG NEIGHBORING REGIONS. The Far Eastern Interregional Association, led by Khabarovsk Krai Governor Viktor Ishaev, exists mainly on paper and there is little cooperation among the regions of the Far East. Several factors prevent any collective action among the Far Eastern regions.

First, there is no agreement on who should be the leader of the region. None of the current governors has the authority to bring his fellow governors together into an effective team.

Second, there are no real economic ties between the different regions. Each one catches its own fish, or cuts its own timber products. There are few industries that require the regions to work together. This regional autarky is a function of the Soviet planning system which envisioned that the resources of the Far East would be sent west for processing.

Third, many of the most difficult issues in the region, such as fishing licenses, are zero-sum games. Primorskii Krai holds seventy percent of the licenses and the other regions want to have a larger share. Primorskii Krai will be the loser in any redistribution. Kamchatka relies on shipments of oil from Nakhodka. However, if Nakhodka is experiencing energy shortages of its own, it will refuse to send the oil north.

Fourth, since the governor of a given region controls how that region spends its funds he is likely to buy local products even if it would be cheaper to get them from another region. Several regions have duplicative industries that are inefficient, according to Irina Boiko, the general director of the Far Eastern Center for Economic Development.

According to Primorskii Krai Duma Member Vladimir Ignatenko, the group does have some common interests that its members could implement. First, it could fight to reduce the price for electricity, which is higher in the Far East than other parts of the country. Ignatenko blames Yeltsin for supporting higher energy prices in 1994.

Second, is the development of trade on the Trans-Siberian Railroad. The price of sending freight across the country is high and Asian shippers who want to send their goods to Europe usually prefer to use boats, even though it takes longer.

Third, Ignatenko believes that the region could unite forces to secure some of the customs duties for regional budgets. Now, all such duties go to the federal government. Ignatenko argues that if Primorskii Krai could keep 20 percent of these customs fees, it would be much less dependent on state subsidies.

Finally, the Far Eastern regions face many problems because the federal government cannot fully finance the military units based in the area. The krai often must pay for the soldiers' housing, food, and forms of social support, because the federal government does not have the resources to do so. These expenditures naturally divert lots of money from the krai budget that could be used for other purposes.

THE RUSSIAN FAR EAST AND ITS NEIGHBORS

BEYOND FORMALITIES, FEW DEALINGS WITH NEIGHBORING COUNTRIES.

Despite the enormous potential for trade, there is surprisingly little interaction between Primorskii Krai and its neighbors, China, Japan, and South Korea. Less than two percent of the gross regional product comes from companies with foreign participation working in the region. Joint ventures employ less than one percent of the local work force.

The failure to establish better cross-border ties is partly due to the fact that the Far East is a part of Russia, a country that has not realized much of its potential in the last ten years. Additionally, regional leaders have not always adopted productive policies that serve the region well.

Over the last ten years, three or four cooperation agreements have been signed with China, but none of them have produced any real results. Moreover, there are no serious Chinese companies working in the region, according to Viktor Larin, the director of the Institute of History, Archaeology and Ethnography of the Peoples of the Far East.

Most noticeable in the city is small-scale Chinese traders. This business is bad for the city, according to Larin, because most of the sellers do not pay taxes, which could help supplement the local budget, and the sector is highly corrupt. According to a recent survey, seventy percent of the traders said that they had to pay bribes to police, various local and regional officials, and customs officers.

The Japanese were very active at the beginning of the 1990s and did lots of intelligence work to see what could be accomplished in the region. However, they have yet to invest serious money in the region. Given the poor state of the Japanese economy, the situation is not likely to improve anytime soon. Moreover, the numerous political and investment scandals in the region have reduced any potential Japanese interest. In the Japanese case, there are also problems that must be solved at the federal level, as the dispute over the ownership of the Kuril Islands continues to divide the two sides.

South Korea is much more active, as symbolized by the Hyundai Hotel, which is a prominent feature of the city skyline. The South Koreans have more motivation to invest because there is a large Korean Diaspora in the region. The South Koreans want some of their kin now living in Central Asia to move to the Far East. They have often invested even though it hurts their short-term economic interests, because they see the region as potentially useful in establishing better ties with North Korea. Among their key investments are working with textile factories that make garments for export.

However, the South Koreans' main achievement is their agreement to develop a technology park in Nakhodka. Krai Duma Speaker Dudnik is closely connected to this project and spent the early part of September trying to get the project approved in the State Duma. Before it can go to the Duma, however, the ministries of trade, foreign affairs, and several others have to give their approval. Dudnik hopes to win approval by the end of the year (*Zavtra Rossii iz Vladivostoka*, 7 September). He believes that this project will set the tone for the investment climate in the krai and make more investments possible.

BORDER ISSUE REMAINS CRUCIAL FOR NAZDRATENKO.

Primorskii Krai Governor Yevgenii Nazdratenko built his reputation as a patriotic defender of Russian interests partly by denouncing the Sino-Russian border agreement (signed in 1991 and ratified in 1992)

and seeking to prevent the transfer of any Russian land to China. Although the deals have already been signed and the federal government decided to go ahead despite the governor's protests, the issue remains an important one for his image. Such concerns are coming to fore now since Nazdratenko is facing elections in a few months and needs something to distract voters from the economic difficulties afflicting the krai.

Ironically, for a governor who does not have the reputation of being an intellectual, the image-making campaign has partially evolved into a dispute about books. In 1998, the well-respected local scholar Viktor Larin published a book called *China and the Russian Far East* in which he mistakenly claimed that in 1992 Nazdratenko, then the head of the Vostok mining company, was a member of the Russian Supreme Soviet and voted to ratify the treaty. Nazdratenko subsequently sued Larin and the court ruled in favor of Nazdratenko declaring that the scholar had made a mistake of fact. At that time, Nazdratenko was a member of the Russian Congress of People's Deputies and did not have the right to vote on the ratification of the treaty. The court ordered Larin to pay 5,000 rubles in damages.

A book much more to the governor's liking is Boris Tkachenko's *Russia - China: The Eastern Border in Documents and Facts*. This book praises Nazdratenko's efforts to protect Russian land from the Chinese. Ironically, free copies of the book were distributed at the krai administration's conference center on 10 September to participants in an international conference entitled "Days of Russian-Chinese Friendship" to mark the 50th anniversary of the founding of the People's Republic of China.

DRIVING-AROUND IMPRESSIONISM

CHEAP JAPANESE IMPORTS FLOOD VLADIVOSTOK MARKET. Cars are cheap in Vladivostok, sometimes even disposable. In the winter, fishermen like to park their cars on the edge of the frozen water while they are waiting for something to bite. Sometimes the ice cracks and the cars drop into the water. It's often too expensive to hire a tow truck and diver to pull the cars out, so unfortunate drivers often just leave the cars underwater.

In one famous case, however, a fisherman went to the trouble of having his car exhumed from a watery grave, but when the tow truck operator pulled out what he thought was the car in question, the fisherman pointed out that it was not his. The diver who had gone underwater to find the car complained, "But you said it was a white Toyota microbus." "It IS a white Toyota microbus," the fisherman responded, "but not this one!"

The diver went down a second time and then popped his head up to ask the fisherman what his license plate was. "There are two more white Toyota microbuses down here." Ultimately the diver found another eight cars in the same place.

A friend here told me this story as we were heading to the pay-by-the-night parking lot where he keeps his car for security reasons. Along the way, we met perhaps the last driver of a Russian-made car in the city. Within the last several years, everyone else has bought used right-hand drive cars imported from Japan by the local shipping fleet. In fact, by now the market is fairly well saturated with Toyota Carinas for the moderately successful and Mitsubishi Pajeros for those who want to command the road with more authority.

The last driver of a Russian car used to be an important man in the Communist days when it was extremely prestigious to have a car, but no one dreamed of importing them from Japan. An even greater luxury was the small metal garage where he parked his prized possession. Now the man spends his days fiddling with his car and looking with some dismay at all the foreign cars zooming around him. Even his garage is not really worth as much as it used to be. Now most people prefer to park their cars in paid lots that are well-lighted and have 24-hour security guards.

THE POLITICS OF ROAD-BUILDING. Transportation plays a large role in Vladivostok politics. Former Mayor Viktor Cherepkov remains popular today partly because he was so successful in redesigning the city's roads, widening them where there had been constant traffic jams and building convenient bridges in the city's downtown area. He also made tram service free for all citizens, claiming that there were so many exceptions to the original fare that it made more sense to just let everyone on without paying. The mayor of Khabarovsk, in contrast, has recently had to impose extremely unpopular fare hikes for the city's public transportation. For those who want quicker service there are private minibuses that run the same routes as the trams, but charge 3 or 3.5 rubles. The buses have comfortable seats and are extremely popular. However, many of them are old and it is not really clear how safe they actually are. One of the local organized crime leaders tried to take over the system recently, but was beaten back by his competitors and articles denouncing him in the local press.

Governor Yevgenii Nazdratenko and his appointed Mayor Yurii Kopylov have proved much less efficient in this crucial task of local politics. Nazdratenko had promised to widen one of the main roads out of town by 1 May, but the job is only half complete and there are no signs of any progress in the near future. The only areas where the work has been finished are near the turnoff for the governor's dacha and in front of an old cemetery.

KRASNOYARSK (12-15 SEPTEMBER)

POLITICAL LIFE

NORTH CAUCASUS CRISIS RAISES LEBED'S NATIONAL PROFILE. The on-going fighting in Dagestan and the string of terrorist bombings in Moscow has fed a flurry of rumors in Moscow and Krasnoyarsk that Krasnoyarsk Governor Aleksandr Lebed will soon be invited to return to federal office. Lebed claims credit for ending the fighting in Moldova and Chechnya. Chechen President Aslan Maskhadov has also invited Lebed to participate in the resolution of the North Caucasus fighting. Lebed responded that "if I receive presidential authorization, then I will return to Khasavyurt," the Dagestani city where he and Maskhadov signed the treaty that effectively ended the fighting in Chechnya in 1996. The Krasnoyarsk newspaper *Segodnyashnyaya gazeta* (13 September) also reported rumors that Boris Berezovskii supported the return of Lebed to an active role in the North Caucasus since he could likely achieve a favorable outcome. Berezovskii supported Lebed's electoral campaign and is considered close to the governor. Local observers have even suggested that President Boris Yeltsin is likely to sack Prime Minister Vladimir Putin soon and replace him with Lebed. This

scenario, however, may only be wishful thinking on the part of those people who would like to remove Lebed from the krai and return power to the local establishment.

COURT ORDERS STUDY OF LEBED CAMPAIGN FINANCING DOCUMENTS. On 14 September a Krasnoyarsk Krai court ordered the Krai Electoral Commission to study documents submitted to it by TVK journalist Marina Dobrovolskaya alleging that candidate Aleksandr Lebed had spent well above the legal limit in his campaign to win the Krasnoyarsk Krai governor's office last year (TVK, 14 September) (see *EWI Russian Regional Report*, 2 September). TVK is owned by Lebed's chief foe in the krai, Krasnoyarsk Aluminum Factory Board of Directors Chairman Anatolii Bykov. On 30 August the Electoral Commission had refused to review the documents on the grounds that they were copies, and not original documents. The commission must now either begin studying the documents or appeal the krai court decision to the Russian Supreme Court. Some local commentators have suggested that if the allegations are proven, Lebed could be deprived of his position as governor.

Local lawyer Aleksandr Gliskov claimed that it would have made more sense to submit the material to the courts instead of the electoral committee. However, it is not clear what the courts would have done with them. During the campaign, the court did not punish Lebed for the illegal distribution of campaign materials because Lebed personally did not know what was going on. In this case the court could similarly rule that since the candidate did not know all the details of how the campaign was being financed, he could not be held accountable.

BYKOV JOINS FORCES WITH ZHIRINOVSKY. The tenth congress of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia (LDPR) voted Krasnoyarsk Aluminum Factory Board of Directors' Chairman Anatolii Bykov as the number 2 candidate on the party list on 11 September. Zhirinovskiy is heading the list. Zhirinovskiy said that he supported Bykov as a businessman and thought it disgraceful that a warrant had been issued for his arrest. Zhirinovskiy clearly hopes that including Bykov on his party list will put the enormous financial resources of the Krasnoyarsk Aluminum Factory at his disposal. Bykov is currently living outside of Russia to avoid arrest. Once the party list is registered with the Central Electoral Committee, Bykov will be immune from arrest for the duration of the campaign and, if the party wins more than five percent of the vote, for the next four years as a State Duma member. Additionally, Zhirinovskiy sent a LDPR delegation to Achinsk to support Bykov ally Nail Nasyrov in his battle with Governor Aleksandr Lebed to maintain control of the Achinsk Alumina Combine.

USS REJECTS OTECHESTVO-VSYA ROSSIYA LEADERSHIP. Krasnoyarsk Krai Legislative Assembly Chairman Aleksandr Uss has turned down an offer from the federal leadership of the Otechestvo-Vsya Rossiya bloc to lead its regional list in Eastern Siberia, *Novie vremena* reported in its 9-15 September issue. Former Prime Minister Yevgenii Primakov had personally offered Uss the position. Uss said that he was more interested in continuing his work in the local legislature than possibly winning a seat in the State Duma. The legislature was elected in the fall of 1997 and is divided between representatives of the Communists and Lebed's Chest i rodina party. Uss claimed that he has been able to achieve a weak balance of

forces in the body and fears that leaving it would jeopardize its ability to work effectively. Uss also decided not to run as a figurehead on the list, passing his seat on to someone else if the party won more than five percent of the vote, because he felt that his joining a party would also destabilize the situation in the krai legislature. He currently chairs the legislature as an independent.

POLITICAL ECONOMY

LEBED, BYKOV BATTLE OVER ALUMINUM CONTINUES. The war between Krasnoyarsk Krai Governor Aleksandr Lebed and Krasnoyarsk Aluminum Factory (KrAZ) Board of Directors Chairman Anatolii Bykov continues to rage, with the most recent battle focusing on the Achinsk Alumina Combinate, located about 100 miles from Krasnoyarsk. Bykov supported Lebed's electoral campaign in the spring of 1998 because he wanted to improve the profitability of the aluminum plant he controlled. In particular, he wanted access to cheap raw materials, which the Achinsk plant provides, and cheap electricity. However, he and Lebed came into conflict when it became clear that Bykov was willing to pay much less to the krai government in taxes than Lebed wanted. As a result of this conflict over money, the alliance between the two men collapsed.

In the latest incident, Lebed is trying to grab control of the Achinsk plant from Bykov, whose factory owns a controlling interest in the plant. On 6 September Lebed's allies, Deputy Governor Vladimir Ovchinnikov, Krasnoyarsk Security Council Secretary Aleksandr Lychkovskii, and acting head of the krai Ministry of Internal Affairs Pashchenko went to the plant with an order from the governor to remove the pro-Bykov plant director Nail Nasyrov and replace him with Sergei Kodyrev, a representative of the administration. The delegation was accompanied by a busful of OMON special police. Nasyrov refused to give up control of the plant. The plant is currently going through bankruptcy proceedings and Nasyrov was named director by the Chelyabinsk Oblast Arbitration Court. Lebed claimed that his actions were based on the ruling of a higher court in Moscow.

The Achinsk plant was declared bankrupt under former Governor Valerii Zubov and then Alfa bank gained control of it, appointing Gleb Fetisov as its director. When Lebed came to power and was still working in alliance with Bykov, they succeeded in placing Nasyrov as the top man at the plant. After Lebed and Bykov began fighting, Lebed sought to remove Nasyrov, but all his efforts were blocked in a variety of different courts. Lebed wants to replace Nasyrov with someone who will work with Alfa bank, which has allegedly agreed to finance Lebed's future political activities, presumably including a 2000 presidential campaign (*Vechernii Krasnoyarsk*, 14 September).

Under Nasyrov, the workers were paid on time and the plant began to reduce its debt load. On 2 September, an extraordinary meeting of the plant's board of directors elected a new board, which included five representatives of Bykov's KrAZ and no representatives of Lebed's administration. When the delegation of Lebed allies entered the plant on 6 September, the workers began demonstrating spontaneously and blocked the entrances to the factory. On 11 September, against the background of the increasingly chaotic situation at the plant, Achinsk's creditors agreed to a plan sponsored by Nasyrov in which the plant would repay its debts over

the next two years. If the Chelyabinsk court approves the deal on 21 September, then the plant will exit its current bankruptcy proceedings and resume working under normal financial conditions.

On 12 September, representatives of Alfa used force to grab one of the plant's key control centers, establishing a situation under which the two opposing sides partially control the plant. On 13 September the leadership of KrAZ announced that it would have to shut down within two weeks if it did not receive any more raw materials. The krai authorities have forbid the plant to send any raw material to KrAZ. One trainload that the plant managed to send on 11 September was stopped outside of Krasnoyarsk when the authorities claimed that there was a bomb on board. Police found no explosives.

Critical observers think that Lebed is pursuing the battle to gain control of the money that flows through the factory, using any means possible to achieve that end. According to *Moskovskii komsomolets v Krasnoyarske*, the incident demonstrates that the only language Lebed is willing to speak in resolving political or economic disputes is that of "blatent force." The paper also charged that he was willing to ignore laws that were not convenient to him. *Vechernii Krasnoyarsk* (14 September) declared that Lebed was "violating basic legal norms."

The Lebed administration claims that its only interest in Achinsk is to make sure that the plant pays its taxes in full (*Krasnoyarskii rabochii*, 14 September). Administration allies ask why the city of Achinsk must receive subsidies from the krai budget when it has such a profitable enterprise on its territory. Lebed is also trying to force Bykov's aluminum factory to pay world prices for the aluminum raw materials it receives without using intermediaries. In short, Lebed claims to be fighting for the interests of the krai and to prevent more money from flowing into the hands of Bykov, whom the pro-Lebed media describes as the "chief bandit of the krai."

LEBED BATTLES TO GAIN CONTROL OF KRASNOYARSK COAL. Coal is the main source of energy in Krasnoyarsk Krai and the person who controls the region's coal company will have extensive influence over the regional economy. The federal government currently owns a controlling stake in the Krasnoyarsk Coal Company (Krasugol), but has been planning to auction it off to meet the World Bank's requirement that it be privatized. The bank stipulated that the dispersal of its next tranche of funding to help the country's coal industry was dependent on its privatization. Governor Aleksandr Lebed has opposed this privatization, fearing that it would put his region at the mercy of some unknown investor. Additionally, the new investor would be unlikely to want to support the social sphere associated with the coal industry, forcing the krai administration to take on expensive new social expenditures. The federal government had been planning to auction off a 75.6 percent stake on 15 October (*Ekonomika i zhizn sibirii*, August-September 1999). However on 14 September, Lebed and the federal government apparently reached an agreement on the conditions for privatizing the coal company. According to the deal, 44 percent minus one stock would go to the private investor, 44 percent minus one stock would go to Lebed's krai administration, and 6 percent plus 2 stocks would go the Krasnoyarsk Coal Trade Union Committee. Prime Minister Vladimir Putin

and Fuel and Energy Minister Viktor Kaluzhnyi have agreed to the deal, according to the pro-Lebed *Krasnoyarskii rabochii* (15 September). The trade union had opposed the privatization.

With its shares and those of the trade union, the krai administration would be able to control the coal company. The Lebed administration claims that it has already identified an acceptable investor, but has yet to release his name.

The Borodino coal operation is the most profitable of the Krasnoyarsk Coal Company's assets. It has been operating since 1949 and is the largest open coal pit in Europe. The site's two pits are currently producing about 17 million tons of coal a year, down from a peak production of about 30 million tons at the beginning of the 1990s. The miners are currently being paid their salaries, but the operation is one of the largest tax debtors to the krai administration. The workers at the site do not really care who owns it, the state or a private investor, as long as the owner provides them good working conditions, according to one resident of Borodino.

Although the region boasts extensive reserves of coal, Krasnoyarsk producers are in an extremely difficult situation. The quality of the local coal is not very high, but it includes a large amount of energy, according to Sergei Ivkin, the director of the KATEK Coal Institute. Additionally, Krasnoyarsk is far from potential customers in western Russia or the Far East and transporting the coal there is extremely expensive. Additionally, many customers in Western Siberia, the Urals, and the Moscow region purchase their coal from Kazakhstan. Ivkin argued that it did not make sense for Russia to spend money on foreign coal when it could purchase it domestically. However, he pointed out that Anatolii Chubais's Unified Energy System (EES) operates the company that provides the coal from Kazakhstan and profits from these operations. As a result, EES does not provide support for Krasnoyarsk coal production. He argued that it was not a question of personalities, but of economic interests.

COMMERCIAL BUSES STRIKE CAUSES CHAOS IN KRASNOYARSK TRAFFIC.

On 14 September, Krasnoyarsk's commercial bus drivers went on strike, creating chaos for the city's commuters. The drivers struck to protest the city council's decision to impose the new imputed tax beginning 1 October. The tax, which imposes a set fee on particular types of business, would more than double the taxes the drivers are currently paying. The drivers argue that it would not be profitable to operate under such conditions.

After the commercial buses stopped operating, the Krasnoyarsk public transportation system could not handle the passengers who would have usually been transported by the commercial buses, and many people were forced to wait in long lines to get to work.

Commercial buses first appeared in Krasnoyarsk about five years ago and have now become a part of daily life. Commuters have become used to their quick and efficient service. The companies operate with slim profit margins, having kept fares at 2 rubles for many years despite Russia's numerous economic crises. Last summer fares went to 2.5 rubles even though the city council did not approve this jump. In the beginning of September, fares rose to three rubles because of rising gasoline prices.

KRASNOYARSK'S NEIGHBORS

YOUNGER LEBED LIKELY TO SEEK SECOND TERM IN KHAKASIYA. Khakasiya Prime Minister Aleksei Lebed, the younger brother of Aleksandr Lebed, will likely seek a second term in next year's elections. He will have the backing of the Sayansk Aluminum Factory, Sayansk Hydro Electric Plant, and the Sayansk Metallurgical Company, which supported his candidacy in 1996. In contrast, to Krasnoyarsk, which has been marked by scandal after scandal, the situation in Abakan is relatively quiet. There, either the younger Lebed was able to eliminate his opposition in the early part of his term, or Sayansk Aluminum Factory Director Oleg Deripaska is able to keep the situation well under control. (*Moskovskii komsomolets v Krasnoyarske*, 9-16 September)

PATTERNS OF REGIONAL DEVELOPMENT

EARLY ELECTIONS PROVE SUCCESSFUL FOR OMSK INCUMBENTS... On 5 September Omsk Governor Leonid Polezhaev and Omsk Mayor Valerii Roshchupkin won reelection to their respective posts. Polezhaev earned 57.2 percent of the votes (68.8 percent in rural districts and 46.4 percent in the city). The governor's main opponent, Secretary of the Central Committee of the Communist Party of the Russian Federation (KPRF) and of the Omsk Oblast Committee of the KPRF Aleksandr Kravets took 26.4 percent of the vote (21.6 in rural districts and 30.9 percent in the city). The third candidate, Aleksandr Zakharov, won 3.3 percent of the vote.

In the mayoral race, Roshchupkin won 61.4 percent of the vote, and the remaining vote was split as follows: Mostovik General Director Oleg Shishov--12.8 percent, Aleksandr Tsimablist--8.7 percent, Aleksandr Rashchupkin--4.5 percent, and Aleksandr Batukhin--0.7 percent. Voter turnout in the elections was 50.3 percent. As usual, rural voters were more active, with 56.3 percent of rural residents coming out to vote as opposed to 45.8 percent of Omsk city residents.

The elections, which should have taken place in December of this year, were moved up in late June (see *EWI Russian Regional Report*, 1 July). The idea was initiated by Polezhaev and opposed by Roshchupkin, whose popularity as a gubernatorial candidate had been on the rise throughout the region (see *EWI Russian Regional Report*, 10 June and 17 June). The two have a long history of strained relations. Although the official reason for moving up the election was to more effectively address the region's problem securing heating supplies for the winter, clearly the increasingly popular tactic of holding early elections worked to Polezhaev's advantage, essentially removing Roshchupkin as his competition by forcing the mayor to run for reelection to hold on to his own post. However, without the burden of running their own campaigns for December elections, both Polezhaev and Roshchupkin are in an excellent position to campaign for their respective candidates in the upcoming Duma elections.

The problem of the elections' legality plagued the campaign through the last week. Kravets' team had been desperately trying to get the elections pushed to a later date. Leader of the Omsk Legislative Assembly KPRF faction, Vladimir Dorokhin, appealed to the oblast court to repeal the decision that had established the 5 September election date. When this failed, he appealed to the Supreme Court, which upheld the decision on 31 August. The region's Communists felt that moving the elections was illegal since early elections should be held only in

the case of the governor's resignation. Nevertheless, even though Kravets may feel cheated out of the gubernatorial race, his strong showing against Polezhaev in the early election will strengthen his candidacy for the State Duma elections.

Regarding the State Duma elections, Polezhaev, a member of the Vsyā Rossiya movement who considers himself one of the party's ideologists, does not feel that the Otechestvo-Vsyā Rossiya bloc will have a strong voice in the new State Duma. Although he expects the bloc to pass the 5 percent barrier, he claims that it will not dominate, primarily due to internal conflicts. - Marina Chukhlomina in Omsk

...AND PRUSAK AS WELL. On 5 September Novgorod Governor Mikhail Prusak won reelection, pulling in 91.6 percent of the vote in elections, which had originally been scheduled for December. The three other candidates, Aleksandr Demanov, Mikhail Nefedov, and Anatolii Peshkov, earned 1.3 percent, 0.5 percent, and 1.6 percent respectively, and 2.8 percent of the population voted against all of the candidates. Voter turnout was 50.2 percent.

The drawn-out battle regarding the legality of holding early elections continued until 1 September when the Russian Federation Supreme Court Presidium upheld the Novgorod Oblast Duma's right to establish early elections by overruling an earlier Supreme Court decision (see *EWI Russian Regional Report*, 19 August). This precedent had already been set earlier this year in Belgorod Oblast and in Omsk Oblast (which also held its elections on 5 September), essentially deferring the decision on early elections to local legislative assemblies.

Prusak expressed surprise that he had won such an overwhelming mandate. He said that he would push through industrial and agricultural reforms regardless of the unstable situation in the Russian Federation. "We can search for justice, set hopes on our labor, and wait for good laws, but we continue to work and to understand that we can create something here with our own hands and heads."

Regarding the December State Duma elections, Prusak stated, "A tragedy awaits us on 19 December. Once again various petty and uncoordinated blocs and parties are fighting amongst themselves. And if they win, then the Duma will be the same. It will deal with politics, but it will not address real economics and life."

Prusak also said that the presidential elections will be crucially important for his region. "For Novgorod Oblast it is very important who will be in front. Therefore it is important [for us to know] who this person will be, and which blocs will be supporting him in the presidential elections. We do not have any other option. We cannot have poor relations with the president, present or future. We cannot because we need to work with and be on good terms with everybody. This is our main task." - Ivan Novgorodskii in Velikii Novgorod

ROSSEL WINS REELECTION, BUT NEW OPPOSITION EMERGES. On 12 September incumbent Governor Eduard Rossel won the runoff of the Sverdlovsk Oblast gubernatorial elections. His opponent was the leader of the May movement, Aleksandr Burkov, who defeated five other candidates in the first round, including Rossel's main opponent and long-time rival, Yekaterinburg Mayor Arkadii Chernetskii (for results of the first round, see *EWI Russian Regional Report*, 2 September).

It was clear that Rossel had won only two hours after the polls closed. The governor brought in 63 percent of the vote, leaving Burkov with less than 28.3 percent and 6.8 percent voting against all candidates. Voter turnout was 36 percent, about 4 percent lower than in the first round.

Public opinion polls conducted shortly before the elections showed that people did not want a change in the region's leadership. This does not necessarily mean that people are satisfied with the current situation. Statistics show that prices for many food products and manufactured goods are higher in Sverdlovsk than in neighboring regions. Nevertheless, oblast production has been on the rise in recent years, and pensions are paid on time. Additionally, the day before the second round, Rossel publicly announced that after his negotiations with Russian Prime Minister Vladimir Putin, pensions in the oblast would be increased 150 percent in the near future.

This was a slight blow to Burkov's May movement, which was counting on getting the oblast's protest vote, and particularly the support of pensioners. Over the past few months May received a lot of publicity for setting up a tent city next to the governor's offices and a holding a sit-in to protest wage arrears. May also gained considerable attention when some of its members forcefully made their way into several raion administrations, demanding that local officials be replaced. Such events, which attracted the attention of the local media, are reminiscent of the Bolsheviks' tactics.

From the start it was clear that May was spending a lot of money to finance its activities. There is no official information about who sponsored May, however it is obvious that the group was far from genuinely "socialist." During the campaign Burkov painstakingly emphasized his independence from those in power. However, on the day before the election, many people learned that Burkov, while heading the Yekaterinburg Committee for Managing State Property (YeKUGI), had compromised himself regarding the privatization of several of the oblast's top enterprises. Burkov's activities were investigated by the oblast government and declared unsatisfactory. Rossel then asked Burkov to resign from his post.

In any case, Burkov found his niche with the electorate. Furthermore, of all the candidates for governor, only Burkov addressed working class issues in his campaign. This was good enough to place him second in the first round of elections, beating out Rossel's main opposition, Chernetskii. However, it was not enough to secure an ultimate victory. On the night of the elections, a member of Burkov's campaign staff told local television reporters that May had been victorious regardless of the election results. Burkov is vocal about his own political ambitions, considering himself the only real opposition to the oblast authorities. Burkov's showing in the gubernatorial elections and the publicity it generated for May should make the movement an active force in the upcoming State Duma elections. - Dmitry Strovsky in Yekaterinburg

STEPASHIN TO RUN FROM STAROVOITOVA'S DISTRICT. On 8 September former Prime Minister Sergei Stepashin confirmed his plans to run for the State Duma from St. Petersburg's 209th electoral district. The Duma's current speaker, Gennadii Seleznev, also plans to run from this district. Stepashin rejected Seleznev's proposal to change districts, stating that he had political reasons for choosing the 209th district. First, the district was previously

represented by Galina Starovoitova, who was assassinated in December 1998. Second, Stepashin himself has lived in this district for nearly 20 years and his parents still live there. Therefore, Stepashin has offered an "honest and clean battle" to Seleznev. Stepashin calls the concept of his electoral campaign "romantic." He plans to conduct several hundred meetings with voters.

Regarding his union with Grigorii Yavlinskii's Yabloko, on whose party list Stepashin holds the second place, the former Prime Minister stated that the union is long term and he is not ashamed of it. He hopes that Yabloko will take 15 percent of the State Duma seats and become the third largest faction. Stepashin spoke out against early presidential elections. - Marina Makova in St. Petersburg

REGIONAL RESOURCES

SIBERIAN ALUMINUM. (<http://www.sibirskyalum.ru>) This site provides extensive information about the aluminum conglomerate, which brings together a variety of companies that produce aluminum and make products from it. The companies are located in Khakasiya, Samara, and several other regions. The site has the latest press information about the company. There is also biographical information about the company's young leader, Oleg Deripaska.

KOMMERSANT DAILY-SIBERIA. (<http://www.nsk.su/~daily/>) This site provides an on-line version of *Kommersant Daily's* weekly regional Siberian edition, which is produced in Novosibirsk. The paper has extensive information about political and economic developments in Siberia.

EKONOMIKA I ZHIZN -SIBERIA. (<http://www.ecolife.krsk.ru/index.asp>) This site has the text of *Ekonomika i zhizn's* Siberian regional edition, which is produced in Krasnoyarsk. The paper has extensive information about economic issues in the Siberian region. The August-September issue has the full text of Krasnoyarsk Krai Governor Aleksandr Lebed's 13 August speech at the Siberian Accord Interregional Association meeting.

LENINGRAD ELECTIONS ON-LINE.

Leningrad Oblast Gubernatorial Electoral Law:
<http://www.100mb.net/~btn/selections/governor-reg/law-select-gov.htm>

Leningrad Oblast Electoral Commission: <http://www.lenobl.ru/izbircom/izbircom.htm>

Map of the Electoral Districts: <http://www.lenobl.ru/sved/map.htm>

Information on past elections in Leningrad Oblast: http://www.acc.ru/fci/rus_map/text047.html
and

<http://www.society.ru/bibl/polros/lenobl/stat%2Dlen.html>

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EastWest Institute
Russian Regional Report
Vol. 4, No. 35, 23 September 1999

Russian Cohesion Index: -25 (down 4 this week)

Disintegration.....T...L.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
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----- Novgorod Governor Mikhail Prusak's 92 percent victory in the 5 September elections reflects the increasing authoritarian nature of his rule. Concentrating so much power in the hands of one person does not serve the interests of the region or the western businessmen who invest there. Observers should pay more attention to this alarming, though hardly new, trend among regional leaders. (-2)

----- Although the Russian forces have, at least temporarily, pushed the invading Chechen fighters out of Dagestan, the fighters have actually achieved one of their goals - the further destabilization of Dagestani society. The republican parliament has just passed a law cracking down on religious freedoms and growing suspicions of people who are different are leading to witch hunts. Clearly the casualties are extending far beyond the battlefield into society itself. (-2)

+++++ Anyone who has been to Moscow lately has probably enjoyed Wimm-Bill-Dann juices and dairy products. Despite its strange name, this is one of Russia's best companies and one that is reinvesting its profits into domestic production. Now it is seeking a strategic investor to expand. Western investors should look closely at this company as cooperating with it will likely be profitable and help develop the Russian economy. Russia's bad press does not mean that all companies are bad. (+2)

----- Small business continues to have a hard time working in Russian conditions, even in regions that are supposedly friendly to it, like the Komi Republic. Numerous financial and legislative obstacles remain and the republican government is doing little to remove them. When the imputed tax goes into effect on 1 October, many businesses will have to close their doors. (-1)

-+-+ Tatarstan is refusing to allow its military recruits to fight in the North Caucasus, where untrained draftees are being sent to die. The republican government is right to point out the inadequacies of Russia's military policy. In the long run, making such concerns known may help improve the county's federal policies, even if, in the short run, such actions amount to separatism. (combined result - 0)

----- Another governors' bloc is forming, this time to be called "Unity." It is not clear who will join the bloc at its founding meeting on 27 September, but it is most likely a Kremlin-sponsored attempt to counter the growing strength of Moscow Mayor Yurii Luzhkov. Both the Kremlin and Boris Berezovskii claim that they are not involved. Clearly bringing together these governors who have no other apparent connection but to bring down Luzhkov will only destabilize the political process. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Prusak's Novgorod: Dictatorship or Democracy?

Serdyukov Elected Leningrad Governor

Nizhnii Novgorod Governor on Chechnya, Federalism, Local Elections

Primorskii Krai Gubernatorial Election Date Still Undecided

Cherepkov Greeted with Airport Brawl

Dagestan Security Measures Invoke Religious Oppression

Elections 1999/2000

Governors Announce New Bloc

NDR Member on Support in the Regions

Conference Report

Russian Regionalists Hold Second Conference

Social Issues

Nizhnii Novgorod Hopes To Make Social Payments Through Sales Tax

Political Economy

Lebed, Bykov Aluminum Battle Continues

Advertisements

The Final Volume is Out: EWI Series on Eurasian Security

EWI Handbook of Russian Regional Executives

*****Completely Updated as of 1 August 1999*****

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

TATARSTAN DEMANDS RETURN OF TROOPS FROM DAGESTAN. On 14 September the Tatarstan State Council adopted a decision to stop sending soldiers from the republic to serve in the conflict in Dagestan. At present there are more than 30 soldiers and officers from Tatarstan serving in Dagestan, and six have been killed in the conflict. Of particular concern is a group of new recruits who joined the army in June. Two Tatarstan soldiers from this group have already been killed. On 16 September *Kommersant Daily* cited the military commissar's account that 43 first-year recruits were dispatched to join a 136-person infantry brigade that is now located in the Dagestan conflict zone.

The State Council's announcement demands that all Tatarstani servicemen conscripted in 1999, and thus lacking sufficient military preparation for activity in conflict zones, be returned to their military bases. It further states that servicemen from Tatarstan will serve in military activities in the North Caucasus and other conflict zones only on a voluntary and contractual basis (*Rossiiskaya Gazeta*, 17 September).

The State Council's decision is in direct violation of both the Constitution of the Russian Federation and the power sharing agreement between the federal government and Tatarstan, which gives the republic additional rights beyond those provided in the constitution. Military issues are still under the authority of the federal center. However, the deployment of new recruits to conflict zones violates a Russian presidential decree stating that only volunteers should be sent to areas of active armed conflict (*Vremya MN*, 16 September). Tatarstan President Mintimer Shaimiev claims that by sending first year recruits to Dagestan, the Ministry of Defense has betrayed not only Tatarstan, "but all of Russia" (*Vremya MN*, 16 September).

Shaimiev met with Russian Prime Minister Vladimir Putin to discuss the State Council's decision on 16 September. Shaimiev said that the prime minister expressed complete understanding for the council's decision, stating that, "Vladimir Vladimirovich shares my opinion. He said that he will discuss this issue with the Ministry of Defense and promised that no more new recruits will be sent to active areas." Putin decided that the Ministry of Defense and the government of Tatarstan will examine the issue and come up with a solution jointly. Shaimiev expressed hope that the State Council's decision does not become a stumbling block and cause of constitutional conflict between Tatarstan and the federal center. (*Vremya MN*, 17 September)

LUZHKOVA'S WIFE TO COMPETE FOR KULIK'S SEAT IN KALMYKIYA.

Moscow Mayor Yurii Luzhkov's wife Yelena Baturina has announced that she will run for the State Duma from a single-seat district in the Republic of Kalmykiya. Baturina, who plans to run as an independent candidate, announced that she wanted to help build a port in the city of Lagan and would work to realize a variety of other social and economic projects in the republic (*Nezavisimaya Gazeta*, 21 September).

Kalmykiya President Kirsan Ilyumzhinov, a long-time Luzhkov ally, said that he had not been notified of Baturina's candidacy. Ilyumzhinov told *Kommersant Daily* on 21 September, "As president I feel that the more well known politicians and businessmen compete for one seat in Kalmykiya, the better it is for the republic."

However, the bigger question is whether or not Baturina's candidacy is good for the already fragile Otechestvo-Vsya Rossiya union. One of the movement's top leaders, former Deputy Prime Minister Gennadii Kulik, also intends to run for the State Duma from Kalmykiya, having been elected as a deputy from the republic since 1989. To complicate matters further, the regional branch of Otechestvo is nominating a third candidate, Vitalii Dagin, to the race (*Vremya MN*, 20 September).

Ilyumzhinov's support, whether to Baturina or another candidate, will undoubtedly play an important role in the election's outcome. Although he is perhaps personally indebted to Luzhkov for providing the necessary finances to complete Kalmykiya's Chess City last year, Ilyumzhinov has already promised his support to Kulik. Nevertheless, there is still time for Ilyumzhinov to change his mind, which would certainly exacerbate any tensions Baturina's candidacy causes within Otechestvo-Vsya Rossiya.

KRESS WINS ANOTHER TERM. On 19 September Tomsk Governor Viktor Kress beat out 5 contenders to win reelection with 72.9 percent of the vote. The governor's closest competitor was former chairman of the Tomsk Medical Insurance Fund, Oblast Duma Deputy Aleksandr Deev, who carried 13.9 percent of the vote. Anatolii Chemeris came in third with 4.8 percent, and the remaining 2 candidates earned less than 1 percent. Voter turnout was 48.6 percent. Kress is a member of Our Home is Russia (NDR) and is chairman of the Siberian Accord interregional association. Kress has ruled Tomsk since he was appointed governor by Russian President Boris Yeltsin in 1991. (*Nezavisimaya Gazeta*, 21 September)

ECONOMICS

WIMM-BILL-DANN SEAKS BRITISH INVESTMENT. On 10 September British Ambassador to Russia Andrew Wood brought a group of British diplomats to meet Wimm-Bill-Dann Board of Directors Chairman Pavel Dudnik, and the company's Administration Chairman, Sergei Plastinin. Although the details of the meeting have not been released, the goal was clearly to discuss potential cooperation between the Russian dairy and juice giant and British companies and financial institutions.

According to Dudnik, Wimm-Bill-Dann hopes to go public in 2005-2007, and will be more likely to be successful, particularly in western stock markets, if a foreign strategic financial investor is already in place. The strategic investor would receive at least a blocking stake of stock in the group, usually 25 percent. Until 2002, Wimm-Bill-Dann will take care of its own investments. The group has reinvested \$72 million of its profits in development since 1995.

After the ruble fell in August 1998, the profitability of the dairy industry dropped sharply. It has not succeeded in finding domestic substitutes for imported raw materials used in some products. To deal with this problem, Wimm-Bill-Dann has organized a large-scale program aimed at expanding the domestic raw material base. The program, "Milk Rivers of Moscow Oblast" was initiated in 1999 to help purchase new milking and refrigerating equipment, feed, and cows.

Wimm-Bill-Dann is the largest producer of dairy products and fruit juice beverages in Russia. It includes seven enterprises, the Lianozov, Tsaritsyn, Ramen, Vladivostok, and Nizhnii Novgorod dairy combines, the Lianozov Combine factory for children's dairy products, and Sibirskoe Moloko. The group had a turnover of \$500 million in 1997 and nearly \$800 million in 1998. Projections for 1999 show a drop to \$400-430 million. There are more than 1,200 stockholders in the group. (*Izvestiya*, 14 September)

TATARSTAN TO FORM REPUBLICAN AGRO BANK. Tatarstan President Mintimer Shaimiev signed a decree establishing a new agricultural bank in the republic. The purpose of the new bank is to provide loans for the agro-industrial complex, participate in federal loan programs to the agrarian sector, and to support agricultural production. Tatarstan's push to establish a republican agricultural bank is evidence of its dissatisfaction with SBS-Agro. Branches of Moscow banks are not looked upon favorably in Tatarstan. They are frequently accused of gathering the resources of republican enterprises and then sending the money to Moscow. Chairman of the Tatarstan National Bank Yevgenii

Bogachev claims that SBS-Agro collected more than 200 million rubles in the republic and put less than half of that sum back into the economy.

In spite of such negative sentiments towards federal banks, the republic is allowing Moscow financiers to participate in establishing the new bank. The only conditions are that the bank will be registered in the republic, pay taxes to the local budget, and finance the local agricultural industry. Thus, SBS-Agro may be among the founders of the new bank. However, it is most likely that the new bank will be established on the foundation of another republican bank already in existence. (*Vremya MN*, 20 September)

PHILIP MORRIS TO STEP UP LOCAL PRODUCTION. According to Mark Dewerst, Philip Morris' managing director in Russia, starting in January 90 percent of the products the company sells on the Russian market will be produced locally. This commitment to local resources is partly due to the post-crisis drop in company sales and to the expansion of production facilities in Russia. Philip Morris production volume in Russia grew by 70 percent over last year, due to the increased capacity of the Krasnodar factory and opening the new facility in Leningrad Oblast.

Dewerst stressed that the Russian factories will maintain the current quality of Philip Morris's products. Philip Morris believes that producing in Russia will allow it to raise profits and increase sales. For example, the retail price of a package of Marlboro cigarettes is 24 rubles, which Philip Morris feels is too expensive for the Russian market, especially since locally produced cigarettes are much cheaper. The increased price of imports and import duties forced imported cigarette demand down, making it necessary for Philip Morris to find a way to reduce its production costs. (*Vremya MN*, 20 September)

PATTERNS OF REGIONAL DEVELOPMENT

PRUSAK'S NOVGOROD: DICTATORSHIP OR DEMOCRACY?

RRR Correspondent Ivan Novgorodskii asked a range of political party representatives to explain the meaning of Governor Mikhail Prusak's victory with 92 percent of the vote in the Novgorod Oblast gubernatorial elections on 5 September (See *EWI Russian Regional Report*, 16 September). The elections were originally set for 19 December, but Prusak moved them up three months to increase his chances of winning. Here are the answers:

Democrats: Back to the USSR

"From my point of view," said Igor Aleksandrov, the chairman of the United Democratic Center, "this is the complete concentration of power in Novgorod Oblast. Next we will have stagnation, which will be described as stability.

"We 'children' of the USSR are used to this kind of monopolization of political power. Much of what is happening in Novgorod Oblast today is reminiscent of what took place in those days. As then, the authorities say one thing, think a second, and do a third. As then, the press is working for the authorities. As then, the "law is a yoke." As then, a person who wants to get something done must work in the shadow economy. People talk about democracy, but the reality is an authoritarian regime. We have returned to what we had hoped to leave behind. Only the names and faces have changed. Then we had the oblast

first secretary, now we have the governor. Then we had the ruling Communist Party of the Soviet Union, now we have the 'party of power.' As a result, Novgorod Oblast has entered the same dead-end of stagnation as the USSR entered in its time.

"The history of humanity has shown that success is possible only in conditions of real democracy. Developed countries live by these principles and evaluate their potential partners by these principles.

"The 92 percent support for Mikhail Prusak is a fact revealing the true undemocratic face of Novgorod Oblast today.

"Fortunately, Novgorod Oblast is a part of Russia and Russia is following the path of democratization. It is desirable to lead this process, but that probably is not our fate."

Yabloko: In Chaotic Conditions, Authoritarianism is Unavoidable

"The population really did vote for Mikhail Prusak," said Andrei Yakurin, the chairman of the Yabloko oblast organization. "Even the Communists did not find any vote tampering. Our organization unanimously supported Prusak.

"I think that this is the change of a political system, or more precisely, the establishment of a political system in Novgorod Oblast. I think that in conditions of general chaos, the establishment of authoritarian political systems is unavoidable. It is a method for society to organize itself. Is this positive? On one hand, yes, because it is the transition from chaos to orderliness. On the other hand, it could increase centrifugal tendencies."

Communists: Prusak Actually Won Few Votes, Elections Were Illegal

"The percent of votes for Prusak was not that high," according to Valerii Gaidym, the Chairman of the Communist Party of the Russian Federation oblast organization, "if you consider that only 51 percent of the population participated in the elections. Moreover, the elections were illegal and basically elections without a choice. According to the Judicial Collegia (*Sudebnaya kollegiya*) and the Procurator General, moving the elections was illegal. Only bureaucrats and the Kremlin Administration approved it. This was a political decision."

Otechestvo-Vsya Rossiya: The Results Don't Bother Me

"The results our Governor Mikhail Prusak received don't bother me," said Vladimir Fishin, the chairman of the Oblast Trade Unions and the regional Otechestvo-Vsya Rossiya party. "We supported the incumbent governor for two reasons.

"First, for the last four years Mikhail Prusak, in my view, changed his view on many economic matters, including social-political problems and in relation to his partners, most importantly to producers and trade unions, and in resolving social-economic problems in the oblast. Second, Prusak's opponents in the elections were random people, political romantics, who did not have significant management experience.

"The absolute majority of the voters supported Prusak for these reasons. However, I should say that this is not cause for euphoria. The economic situation is difficult. The population's standard of living is low. But for the last two years, and there is no need to brag

about this, we have paid salaries in a stable manner, and by September of this year had paid off all debts to public sector employees.

"We often hear criticism from the left-patriotic forces who accuse us of appeasement. But this is an empty conversation, since they do not have anything to offer. Usually, they demonstrate on the streets to shout slogans, express their dissatisfaction, and again recede into the shadows. They repeat these same actions over and over. But we have to work every day. ... Now we are working on the 2000 budget. We are not happy with workers' salaries. While there has been some growth in pay, the growth in prices has overtaken any increase in the salaries. Additionally, there are many problems with unemployment. The process of negotiations will go to the last day. I can tell you that when the last budget was adopted, we received an answer from the governor at 5 o'clock in the afternoon - on the eve of the final discussion of the budget."

LDPR: Strong Support Good for the Oblast

"I think that such strong and powerful support is for the good of Novgorod Oblast," Aleksandr Demanov, chairman of the Liberal Democratic Party of Russia's oblast branch and a former candidate for the governor's office, said. ...

"For stability in the region, we need unity and strong authorities. I think that in principle this is not bad. If I had won so many votes, I would be happy. Since Mikhail Prusak won so many votes, if people support him, then it is not bad. Our electorate did not vote. I know many people, including party members, who did not vote. I can explain this only because they knew that Prusak would win. Prusak's campaign was very strong. You have to pick the least of all evils. The lesser evil for Novgorod Oblast is Mikhail Prusak.

"When there are internal conflicts within a team, I know this well from the LDPR, then work stops. If 49 percent voted for me and 51 percent voted for Prusak, that would not be a good situation for residents of Novgorod. It would be a conflictual situation. There would be a sharply expressed opposition, and naturally, the process of creeping sabotage would begin. Now, during these difficult times, I think that all healthy forces should unite. It's not that I like Prusak, but I know that it is in the interests of Novgorod residents to have authorities who are capable of doing something."

NDR: I am Delighted

"I am delighted with our voters and the campaign itself," said Sergei Bessonov, the Deputy Chairman of the Velikii Novgorod Duma and the Executive Director of the Novgorod Oblast branch of Our Home is Russia. "A different opinion cannot exist. This confirms once again that Novgorod residents judge people by their real accomplishments and not by the promises they make. Naturally, among the different contenders, only the incumbent proved by his actions that he does not make empty promises. All his efforts and the efforts of his staff are directed toward creating more enterprises and jobs for the residents of Novgorod Oblast and raising the standard of living. There were some inadequacies, but the media is conducting itself very constructively, pointing out insufficiencies to which the governor quickly reacts. Everyone understands the improvements in Novgorod Oblast compared with other regions. They touch on everything and are to the credit of the governor, which the voting results affirm."

SERDYUKOV ELECTED LENINGRAD GOVERNOR. Acting Leningrad Oblast Governor Valerii Serdyukov won the region's 19 September gubernatorial election, taking 30 percent of the vote, and beating his former boss Vadim Gustov, who won just 23 percent (<http://www.lenobl.ru/izbircom/2009.htm>). About 40 percent of the oblast's 1,284,701 registered voters participated in the elections, which boasted 16 candidates. Gustov left the seat last September when Prime Minister Yevgenii Primakov invited him to serve as first deputy prime minister. Gustov lost his job last spring, just before Yeltsin fired Primakov. According to the oblast's electoral law, a candidate wins if he takes more than 25 percent of the vote (<http://www.100mb.net/~btn/selections/governor-reg/law-select-gov.htm>). There is no minimum voter turnout requirement.

Since the middle of July, the main battle was between Serdyukov and Gustov. Gustov had brought Serdyukov to work in Leningrad Oblast from Vorkuta. Serdyukov had been planning to seek the governor's office after Gustov left to work in Moscow, but Gustov's dismissal and return to Leningrad politics complicated Serdyukov's plans. Instead of supporting another term for Gustov, Serdyukov decided to break his ties with his former boss and campaign against him. He rejected the post of prime minister which Gustov had promised to give him if he had won the election (*Ekspert*, 6 September). Gustov and many members of his team felt that Serdyukov had sold them out. Two former vice governors, Sergei Susekov and Golshchapov, returned to work in St. Petersburg's Promstroibank to support the campaign as they had in 1996, while Vice Governor Andrei Nelidov, who handled forestry affairs, resigned to head the pro-gubernatorial movement Forests of Russia. Vice Governor Aleksei Vorontsov, who represents the Communist Party, took a leave of absence to travel the region in support of Gustov.

Moscow money also played a role in the campaign. First Deputy Prime Minister Nikolai Aksenenko and Boris Berezovskii backed former Deputy Railroads Minister Valerii Kovalev. Gazprom and Unified Energy System's Anatolii Chubais backed Viktor Zubkov, the head of the oblast tax collection service.

Gustov, and several of the other candidates, stressed that they had worked in the oblast for more than 20 years. Gustov's slogan was "The master has returned to the oblast." Serdyukov had a more difficult job since he had not succeeded in putting down serious roots in the oblast during his three years there. However, he used all the advantages of incumbency and reminded voters that he had helped the oblast resolve its debt problem, paid pensions and public service salaries on time, and trim the bureaucracy. He claimed credit for the oblast's relative stability, while Gustov's team argued that their boss had been responsible for the region's calm evolution. All the of the leading candidates stressed their support for the gradual unification of the oblast with St. Petersburg into one unit.

Many prominent politicians backed losing candidates in the race, indicating how unexpected Serdyukov's victory was. Former Prime Minister Yevgenii Primakov supported Gustov, as did Communist Party leader Gennadii Zyuganov. Film maker Nikita Mikhalkov backed Kovalev, while St. Petersburg Governor Vladimir Yakovlev backed Zubkov (Yakovlev also backed a losing candidate in the oblast's fall 1996 campaign.)

Serdykov's success was based on three factors according to St. Petersburg Sociology Professor Dmitrii Gavra (<http://www.soc.pu.ru/cp1251/gavra.html>). First, he had campaign workers agitating for him throughout the oblast, even in the most remote villages. Second, he had the backing of Vorkuta coal barons who feared that Gustov's plans

to supply the region with natural gas would hurt the market for Vorkuta coal. And, third, he benefited from the use of dirty campaign tactics. Gustov is suing to have the results overturned and claims that Serdyukov was responsible for the publication of a newspaper called *Veche Sankt-Peterburga*, which accused Gustov of a wide number of sins.

In contrast, Lyudmila Bogomolova, the head of the analytical department of the KOMKON-StP firm, argues that dirty campaign tactics did not play a large role in the campaign (http://www.cl.spb.ru/vip003/index_e.html). She believes that Serdyukov won because he was able to spread word-of-mouth assertions that under Gustov public sector salaries and pensions were delayed while they were paid on time under Serdyukov. Both Gustov and Serdyukov sought to win the same electorate, but Gustov did not have the money to generate good word-of-mouth support.

The results in Leningrad Oblast continue a trend already visible in Belgorod, Tomsk, Novgorod, Sverdlovsk, and Omsk. Recent campaigns in those regions have provided another term for the sitting governor. - Daniil Tsygankov in St. Petersburg

NIZHNII NOVGOROD GOVERNOR ON CHECHNYA, FEDERALISM, LOCAL ELECTIONS. On 18 September, one day after the Federation Council held a special session on the problems in the North Caucasus, Nizhnii Novgorod Governor Ivan Sklyarov said that there was no need to introduce emergency rule in Russia, particularly since there is no legislation regulating what an emergency regime would mean. However, he supported the idea of a "special regime" such as has been implemented in Moscow to tighten security. He particularly stressed the need to eliminate the Chechen fighters who have invaded Dagestan. The governor spoke at the Second Russian Congress on Problems of Political Regionology.

Sklyarov, who is a member of Moscow Mayor Yurii Luzhkov's Otechestvo party and chairs the Federation Council Committee on Regional Policies and Federal Relations, was particularly critical of the attempts of Krasnoyarsk Governor Aleksandr Lebed's attempts to hold negotiations in the North Caucasus. He said that negotiations were only possible when one of the sides was ready to surrender.

Sklyarov argued that the unresolved problem of relations between the center and the regions was one of the main issues hindering the development of Russian federalism. He described the situation as a "tragedy for the entire country." He suggested that the federal government should pass much of the detailed management responsibilities that it now handles to the regional governments. Sklyarov complained that there were 64 federal agencies operating in Nizhnii Novgorod Oblast beyond his authority. He questioned why the federal government felt it needed to exercise so much control.

Additionally, he pointed out that the federal government has signed numerous treaties with the regions. He warned, however, that it is necessary to resolve these problems in the constitution rather than through the treaty process. He noted that Russia has passed several laws on dividing power, but that most laws really do not have any effect.

While seeking greater freedom from the federal authorities, Sklyarov called for changes in the way mayors are elected in his region. Since Nizhnii Novgorod Mayor Yurii Lebedev was elected last year, he and Sklyarov have been in conflict. Sklyarov supported elections as the best method of choosing leaders, but said that during a "transition period," it was necessary to have the city council elect the mayor from among its ranks. Under such a system, the governor would presumably have more control over who was chosen as mayor

and he would be better able to exert influence on the head of the city administration. In particular policy areas, he called for the decommercialization of health care and education.

On economic matters, Sklyarov said that he supported the preservation of Russia's natural monopolies, such as Gazprom, the Railroads Ministry, Unified Energy System, and Transneft. The governor believes that these monopolies should be strongly controlled by the state. He was particularly concerned about the oil sector, which has been demonopolized, and argued that Russian citizens could not be made to pay world prices for gasoline since they did not make salaries on that level.

When asked his opinion of the Russian government, Sklyarov said that he liked Yevgenii Primakov the best of the former prime ministers because he was able to calm the situation. He complained that fellow Nizhnii Novgorod resident Sergei Kirienko was simply unable to get anything done. He warned that it did not make sense to change the government again before the presidential elections. - Robert Orttung in Nizhnii Novgorod Oblast

PRIMORSKII KRAI GUBERNATORIAL ELECTION DATE STILL

UNDECIDED. The 16 September session of the Primorskii Krai Duma failed to settle the question of the region's gubernatorial elections--no electoral law was adopted nor was a date set. The deputies only managed to agree that if the elections take place on 19 December, coinciding with the State Duma elections, then they will be held from 8 am to 8 pm (as opposed to 10 pm). The Duma decided to form a conciliatory committee from among deputies and members of the krai administration that will try to work through the differences between Governor Yevgenii Nazdratenko and the Duma opposition.

The new law on gubernatorial elections was developed by the krai Duma at the beginning of the summer. Nazdratenko vetoed the law twice, disagreeing with provisions to hold the elections in two rounds and allowing candidates to pay a monetary deposit in lieu of collecting signatures. In July Nazdratenko requested that the Duma adopt his version of the law, but he did not gather enough votes. If the conciliatory committee is unable to find a compromise, then the krai electoral commission, rather than the Duma, will set the election date, which will subsequently take place no earlier than January 2000. The governor clearly does not like this. Aside from the officially stated concern over wasting the people's money by holding separate elections (which will cost 30 million rubles), Nazdratenko fears that if the gubernatorial elections are not held in conjunction with a federal poll, then voter turnout will not be high enough to validate the elections. Voter apathy is particularly strong in Primorskii Krai, in which the capital, Vladivostok, has yet to successfully elect a city duma.

The opposition has thus far refused to compromise with the governor. Deputy Yuri Rybalkin feels that the elections could take place on 19 December only on the condition of the governor's good will. "What is Yevgenii Nazdratenko afraid of?" Rybalkin asked. "He's practically the most prominent contemporary figure, not only in the krai, but in Russia and the world. Governor Prusak was not afraid of anything in Novgorod Oblast and he won 90 percent of the votes in his favor. If Nazdratenko's words and announcements correspond with his actions, he has nothing to fear."

Still one more technicality must be addressed if the gubernatorial elections are to be held on 19 December. Even though Nazdratenko was elected governor on 19 December 1995, he did not officially take office until 27 December. Therefore, if elections are held on 19 December 1999, they are considered to be early and warrant a special decree. This

gives the krai дума opposition one last trump for political bargaining. - Yevgenii Popravko in Vladivostok

CHEREPKOV GREETED WITH AIRPORT BRAWL. After spending more than half a year in Moscow, Viktor Cherepkov, who was dismissed from his post as mayor of Vladivostok in December 1998 (see *EWI Russian Regional Report*, 17 December 1998), returned to his native city. His appearance was accompanied by yet another scandal, which many observers feel was the direct result of the ineptness of Cherepkov's opposition and will raise the popularity of the fallen mayor.

On the day of Cherepkov's arrival, several dozen people crowded into two buses to meet their idol at the airport. Bored reporters joined them hoping to pull something interesting out of Cherepkov's speech. However, 8 kilometers from the airport both buses were stopped by police patrols, which stated that the automobiles were listed as stolen. After it was discovered that the owner of the buses, in possession of all the proper documents, was among the passengers, then the police changed its story, claiming that the buses were mined and it was necessary to wait for field engineers with dogs.

Aware that the time of Cherepkov's arrival was quickly approaching, the passengers, including a large number of elderly individuals, walked to the airport. After traveling the 8 kilometers they discovered a group of young people holding up posters with the phrase, "Cherepkov, get out of Vladivostok!" The group had come to the airport on a bus supplied by the current anti-Cherepkov city administration. The verbal skirmish quickly turned into a fist fight. Cherepkov's supporters had a clear numerical and moral advantage. Posters were torn from people's hands and shred to pieces. Cherepkov encountered this hair-pulling brouhaha when he arrived.

Cherepkov himself did not have anything particularly sensational to say in his speech at the airport. He plans to run for the State Duma from a single-seat district in Vladivostok and also on General Andrei Nikolaev's Union of Popular Power and Labor's party list. Regarding the Primorskii Krai gubernatorial elections, Cherepkov preferred not to discuss the fact that a law has not yet been adopted nor a date set (see related article in this issue).

Many are linking Cherepkov's trip to Vladivostok with the European Court's special commission's visit to Russia. Cherepkov appealed to the court regarding human rights abuses in Russia in connection with his unlawful dismissal as a popularly elected mayor. European experts should meet this week in Moscow with the head of the presidential administration, the acting general procurator, and the chairmen of the Supreme Court and State Duma. The group will then travel to Vladivostok to investigate the situation on the ground.

While Cherepkov prepares to meet with the European legislators, local legislators are trying to put him under investigation. Cherepkov is implicated in four acts of criminal financial abuse in the mayor's office. So far Cherepkov is only listed as a witness in the affair, but it is obvious that if he steps up to the post of mayor or governor, he will quickly be accused as a suspect. - Yevgenii Popravko in Vladivostok

DAGESTAN SECURITY MEASURES INVOKE RELIGIOUS OPPRESSION.

Once the invading Chechen militant forces were dispelled from Dagestan, the republic sought to prevent a recurrence of the conflict. Unfortunately the measures being adopted are restricting the freedom of the population.

On 16 September the Dagestan People's Assembly adopted a law banning Wahhabism and other extremist religions. The new law would appear to be more concrete than the republic's 1997 religion law as it directly names the religious groups liable to prosecution, the Wahhabis foremost. However, in practice the law could prove difficult to implement due to its vague wording.

To begin with, the term "Wahhabism" is not fully defined in the law. This label was used in the Soviet era to identify Muslims who diverged from the official Soviet Islamic authorities on various ideological and academic points. Thus, not a single fundamentalist calls himself a Wahhabi and all actively protest using this term.

A second factor is that the law opens up the possibility for people to be persecuted for their religious beliefs. In spite of the fact that many leaders in the republican establishment, including the republican procurator and nationalities' minister, have offered assurances that the battle is not against religious beliefs, but against crime covered by Islamic rhetoric, the law nevertheless lacks mechanisms for determining which is which.

Furthermore, this law prohibits missionary activities in the republic. Incapable of distinguishing missionary activities from extremist propaganda put forth by Islamic terrorist groups, the republican authorities are ready to ban both. Additionally, the law violates one other human right--from now on Dagestani children must obtain special permission to receive religious education abroad.

The law was adopted with an overwhelming majority in the republican parliament and no one offered serious criticism. Even the republican press did not criticize the law. The legal consciousness and general cultural level of the republican population is so low that it is unlikely to protest arbitrary rule.

One such example can be found in the village of Gubden, where an acquaintance of mine was recently heading a militia detachment. The village residents accused a peaceful young countryman who was independently studying Islam and interpreting religious literature of reading extremist texts written in Arabic. My acquaintance demanded that someone prove the extreme character of the text, but not one of the accusers were able to read Arabic, and the young man was subsequently freed. Nevertheless, that same evening my acquaintance had to flee his home after a crowd of villagers shouting "There is the head Wahhabi" came to his house. Now, he needs to hide in Makhachkala for protection. Thus, we see the beginning of a Dagestani witch hunt. - Nabi Abdullaev

ELECTIONS 1999/2000

GOVERNORS ANNOUNCE NEW BLOC. On 19 September 39 members of the Federation Council signed a declaration which will apparently serve as the basis for the formation of a new electoral bloc. Chukotka Governor Aleksandr Nazarov is the coordinator of the new bloc and it will hold its first meeting on 27 September, according to polit.ru on 23 September. The new bloc is tentatively being called the Interregional Movement "Unity," which shortens to the Russian acronym Medved (Bear). The most active supporters in creating the new bloc are Primorskii Krai Governor Yevgenii Nazdratenko, Belgorod Governor Yevgenii Savchenko, and Kursk Governor Aleksandr Rutskoi, *Vremya MN* reported on 22 September. Sverdlovsk Governor Eduard Rossel, initially identified as an active supporter, has said that he will not join. The preliminary list of

regional executives signing on to the new bloc as gathered from information in the central press (which may not be entirely accurate) is as follows:

Amur Governor Anatolii Belonogov
Astrakhan Governor Anatolii Guzhvin
Belgorod Governor Yevgenii Savchenko
Buryatiya President Leonid Potapov
Chukotka Governor Aleksandr Nazarov
Dagestan State Council Chairman Magomedali Magomedov
Gorno-Altai President Semen Zubakin
Irkutsk Governor Boris Govorin
Kaliningrad Governor Leonid Gorbenko
Kamchatka Governor Vladimir Biryukov
Kemerovo Governor Aman Tuleev
Kharbarovsk Governor Viktor Ishaev
Komi President Yurii Spiridonov
Krasnodar Governor Nikolai Kondratenko
Kursk Governor Aleksandr Rutsnoi
Leningrad Governor Valerii Serdyukov
Novgorod Governor Mikhail Prusak
Novosibirsk Governor Vitalii Mukha
Omsk Governor Leonid Polezhaev
Primorskii Krai Governor Yevgenii Nazdratenko
Rostov Governor Vladimir Chub
Saratov Governor Dmitrii Ayatskov
Stavropol Governor Aleksandr Chernogorov
Ulyanovsk Governor Yurii Goryachev
Volgograd Governor Nikolai Maksyuta

Apparently several members of the new bloc are trying to convince Krasnoyarsk Krai Governor Aleksandr Lebed to join them as well. Several of the above regional executives already belong to other political movements, including Otechestvo-Vsya Rossiya, Our Home is Russia (NDR), and the Communist Party, and it is unclear how the new bloc will impact these alliances. The bloc's stated goal is to elect a new generation of honest and responsible people to the State Duma. Nazarov also said that the bloc will focus on changing the budgetary relationship between the center and regions (www.polit.ru, 23 September).

A possible leader for the new bloc is Minister of Civil Defense, Emergency Situations and Natural Disasters Sergei Shoigu. Shoigu is popular among regional leaders for his apolitical stance and reputation for addressing crisis situations effectively. He has not yet agreed to head the bloc, but said that he would make his decision known shortly.

One interesting development is that Belgorod Governor Savchenko called on Yeltsin to transfer his powers to Prime Minister Vladimir Putin and then place a moratorium on replacing the prime minister before the presidential elections (www.polit.ru, 23 September). Savchenko thinks that it is unrealistic to expect Yeltsin to resign, but that the solution he

proposed would solve the problem of the president's inability to carry out his duties effectively. Some of the governors in the movement claim that Putin is one of the organizers.

The political purpose of this new governors' bloc, which is rumored to have been initiated by Boris Berezovskii (*Yunosti*, 21 September), is to serve as an anti-Luzhkov force in the Duma elections, and its organization is clearly related to Kremlin politics. On 3 September Yeltsin appointed former head of Russian Public Television (ORT) Igor Shabdurasulov as the presidential administration first deputy chief of staff (see *EWI Russian Regional Report*, 16 September). Shabdurasulov was put in charge of handling the president's relations with the regions, and clearly his influence is playing a significant role in promoting and directing the new bloc. The bloc not only brings together traditional Yeltsin loyalists like Prusak, but also includes Rutskoï, who had been a strong Yeltsin oppositionist since he helped to lead the storming of the White House in October 1993, as well as several members of the Communist Party.

The organization of an anti-Luzhkov bloc complements the propaganda campaign ORT is conducting against Otechestvo-Vsya Rossiya and its leaders, former Prime Minister Yevgenii Primakov, Luzhkov, and Tatarstan President Mintimer Shaimiev. All of the well-known news and analysis programs on the first channel are participating in this battle. For example, *Vremya* reported about how poorly the Moscow police works and claimed that Luzhkov does not want to correct its mistakes. Journalist Pavel Sheremet sharply criticized Tatarstan President Mintimer Shaimiev for the region's decision to stop sending soldiers to the Russian armed forces (see related story in this issue). The station is also trying to blame Primakov for accepting \$800,000 from Saddam Hussein while he headed the secret service in 1997. Prior to joining the new bloc, Rutskoï never appeared on ORT because of his poor relations with Yeltsin, but he announced the establishment of the new bloc on the channel's *Vremya* program on 21 September. - Danielle Lussier, Robert Orttung, and Sergei Sarychev in Kursk

NDR MEMBER ON SUPPORT IN THE REGIONS

RRR Tver Correspondent Boris Goubman recently interviewed Deputy Chairman of the State Duma Economics Committee Aleksandr Tyagunov, who is a member of the Our Home is Russia (NDR) political council.

RRR: What chances does NDR have in the various regions in the upcoming elections? Where does it have the most realistic chances for success?

Aleksandr Tyagunov: The NDR Executive Committee clearly realizes the difficulty it might encounter in the various regions. A portion of our electorate has left in favor of the Otechestvo-Vsya Rossiya bloc. Actually, we have prepared for their success, it is as if Otechestvo-Vsya Rossiya has taken the relay baton of the 1995 elections from us. However, this does not mean that we do not believe that the election outcome will not be positive for us. Our chances vary considerably, from zero to 17-20 percent in different regions. The Executive Committee is counting on very good results in the Urals and in the Northwest. In compiling the party list, the Executive Committee adopted a strategy for consolidating regional groups, each of which nominated their own candidates to the federal list. Thus, the Northwest (Pskov, Novgorod, Komi) formed a single region, the Urals another, etc. Tver did not participate in the regional consolidation, and this was probably

not the best decision. Our best chances are in Novgorod, Astrakhan, Orenburg, and in other oblasts where strong governors belonging to NDR are in power. Twenty governors have maintained their NDR membership. In their regions it is possible to win 10-20 percent. The recent reelection success of Novgorod Governor Mikhail Prusak confirms such hopes (see *EWI Russian Regional Report*, 16 September).

RRR: How is the cooperation plan between NDR and Boris Fedorov's Vpered Rossiya! coming along in Tver? What is your estimation on the chances of this bloc and its candidates in single-seat races?

Aleksandr Tyagunov: I will say right up front that the bloc will not nominate its own candidate in the gubernatorial elections and will support the current governor, Vladimir Platov. Overall, I would like to hope that the bloc, in spite of the difficult economic and social situation in the oblast, will make it past the 5 percent barrier. I am running in the Tver electoral district, and the leader of the Tver branch of Vpered Rossiya!, Vladimir Baranov, is running in the Bezhets district. We are both placed on the federal list as well. I have very strong opponents, Tatyana Astrakhankina from the Communist Party of the Russian Federation (KPRF), and Sergei Potapov from Union of Rightist Forces. It will probably turn into a battle against such strong contenders, but I feel that I can count on the voters' support. Baranov will also have a difficult battle. Our goal is to attract voters' sympathy and not allow our oblast to become an outpost of communist and extremist forces, the predominance of which would once again prohibit the Duma from working constructively.

RRR: What chances does the NDR-Vpered Rossiya bloc have in the upcoming elections?

Aleksandr Tyagunov: According to our projections, the bloc is capable of winning 7-9 percent of the vote throughout Russia.

CONFERENCE REPORT

RUSSIAN REGIONALISTS HOLD SECOND CONFERENCE

By Robert Orttung, EastWest Institute

BOLSHOE BOLDINO - More than fifty Russian and international political scientists, geographers, and jurists gathered for the Second Russian Congress on Problems of Political Regionology in Nizhnii Novgorod Oblast on 17-19 September. The first congress was held two years ago and a third one is being planned. Information about the congress can be found on the Internet (<http://windoms.sitek.net/~congress/>). The congress was organized by Sergei Borisov's Nizhnii Novgorod Research Foundation (<http://windoms.sitek.net/~nnrf/>) and sponsored by the Nizhnii Novgorod Oblast Administration, the Moscow Carnegie Center, and the Alfred Mozer Stichting (Netherlands). Papers presented at the congress examined some of the most important issues in the study of Russian federalism:

Petrov on Center-Periphery Relations

Nikolai Petrov (Moscow Carnegie Center) warned that Russia is entering a dangerous period in its political cycle which could lead to excessive decentralization. Petrov pointed out

that the balance of power between the center and the regions is constantly changing. Many of the swings depend on the political calendar, such as the timing of the federal and gubernatorial elections. In Petrov's view, even though the Russian system is relatively decentralized now following the 17 August 1998 crisis and the destruction of the some of the oligarchic elite, it is heading for a new phase of decentralization since federal elections generally lead to a transfer of power from the center to the regions. Elections cause decentralization because all political parties seeking power offer benefits to the regional elite in return for their political loyalty.

Smirnyagin on Regional Policy

Leonid Smirnyagin (Moscow State University and a member of the Presidential Council) stressed that every country has a regional policy, whether it is well articulated or not. During the Soviet era, the country was strictly centralized and the situation has changed radically since then. Smirnyagin is extremely concerned that the country's leaders now have no conception about how they hope to see the federal structure. He said that they do not understand the need to make a tradeoff between working efficiently and the equality of all regions. Former Prime Minister Viktor Chernomyrdin wanted to support some of the more successful regions as locomotives for the economy. Smirnyagin is more inclined to giving aid to the poorer regions.

One major problem is that the Ministry for Federal Affairs and Nationalities has not been able to define a role for itself in Russia's power structure. Some have argued that the ministry is not necessary since it duplicates the work of other federal institutions, but Smirnyagin does not share these opinions. Another problem is the collapse of local government in Russia and particularly the battle between the governors and the mayors. Most governors are now working to end the independence of the mayors. Smirnyagin said that relations between governors and mayors often degenerate into a battle of personal ambitions which can be extremely destructive.

Pain on the North Caucasus

Emil Pain (Director, Center for Ethnological and Regional Research) charged that the 1996 Khasavyurt Agreement led to the destabilization of the North Caucasus, creating a situation of "not war, not peace" and essentially legalized the independence of Chechnya. The idea of uniting Chechnya and Dagestan was articulated by the late Chechen leader Dzhokhar Dudaev and has remained a goal for some of his followers. Therefore, the invasion of Chechen fighters into Dagestan was not a surprise. He argued that the Chechens sought to slowly erode Dagestan, and were actually being helped by federal forces in this goal. In the fighting of the last month, the federal assault has effectively destroyed Lak villages on the Chechen border.

Pain dismissed any rumors that incursion of Chechen fighters was sponsored by the Kremlin as "absurd." He also blasted the federal parliament for approving money for military purposes, but ignoring the need to deal with deeper economic problems, such as creating jobs for the numerous unemployed young men in the region.

Pain criticized Tatarstan President Minitimer Shaimiev and Ingushetiya President Ruslan Aushev for seeking to legalize traditional practices in their regions. Aushev has for

example called for legalizing polygamy and blood revenge. Pain warned that letting regions go beyond Russian legal norms was a very dangerous policy and called for a more careful analysis of such problems.

Pain praised the Turkish model of dealing with Islamic militants. Turkey lets such activists participate in politics, but set limits beyond which the radicals cannot go.

Mokhov on Perm politics

Viktor Mokhov (Perm State Technical University) drew a contrast between the approach to local government adopted by the Nizhnii Novgorod and Perm governors. Where Nizhnii Novgorod Governor Ivan Sklyarov wants to impose strict hierarchical control over local government in his region (see separate article in this issue), Perm Governor Gennadii Igumnov wants to clearly define spheres of responsibility between the oblast and local government. Now the oblast is trying to give some of its powers to the local government.

Perm politicians stress stability and preserving good relations as their preferred model of development. Perm Oblast Legislative Assembly Chairman Yurii Medvedev is favorably disposed to Igumnov. Moreover, Perm Oblast has good relations with the Komi-Permyak Autonomous Okrug, which is located on its territory. The oblast and okrug has signed a number of agreements and work together as an integrated economic unit.

Perm seeks to cooperate with its neighboring regions as well, but has no intention of giving up any of its rights to them. Perm rejected the creation of Sverdlovsk Governor Eduard Rossel's Urals Republic for this reason. Now the oblast is trying to create a legal basis for cooperation.

The governor is also trying to ensure his political future by delegating each of his deputy governors to different political parties. Although Igumnov remains with Our Home is Russia, he is seeking good links with the other parties, except for the Communists.

In terms of a potential opposition, the Communists have no chance to take power. Rather any potential opposition comes from within the elite. Several other politicians in the region have become political "heavyweights," but they all play by the rules which are overseen by the governor. Some of the key figures include Yevgenii Sapiro, the former chairman of the Legislative Assembly, and Perm Mayor Yurii Trutnev. Trutnev is young and energetic, but he does not yet have strong industrial financial support. The governor says that he does not need to control the media, but very few critical articles about him appear in the press. Within the oblast, Igumnov is "respected, but not charismatic."

Compared to 1993, the economic situation remains depressed because of the large defense sector. However, during the last two years, Perm has seen substantial growth. The region is increasingly exploiting its oil reserves, diamonds and other raw materials. Also the airplane engines produced in the region are in increasing demand and the oblast ranks as one of the ten wealthiest in the country.

Magomedov on Stavropol, Krasnodar

Arbakhyan Magomedov (Ulyanovsk Polytechnic University) described the important impact the North Caucasus violence has had on the government of Stavropol Krai. After the Chechen assault on the hospital in Budennovsk, many local leaders were removed because the Chechen fighters had been able to pass freely through their territories. Removing these

leaders paved the way for the election of a new governor, Aleksandr Chernogornov in 1996. When he came to power, Chernogorov lacked knowledge of how to run the government. Accordingly, he set up a krai government in which the governor was supposed to set the overall programmatic course and the prime minister was to implement the specific policies. This system lasted three years until the governor fired the prime minister, launching a battle with the regional legislature over who has the right to appoint and remove the regional prime minister.

Krasnodar has seen four different governors in recent years. The current governor, Nikolai Kondratenko, is widely known for his nationalist and anti-Semitic statements. However, within the region, he is viewed as a charismatic leader and an effective manager. He is also building up his personal power, having attacked many of the political and economic centers in the region, such as the city of Novorossiisk. He has considerably reduced the power of the mayors and now even wields the right to remove them.

Bikmetov on the Ulyanovsk Model

Rustam Bikmetov (Ulyanovsk State University) described the Ulyanovsk model as one in which the old party elite learned to work in new conditions. Ulyanovsk Governor Yurii Goryachev essentially tried to preserve what had existed in the Soviet era until the Communist Party returned to power. His region used non-budgetary funds to support some of the lowest prices in Russia for basic commodities, but these goods were often only distributed on the basis of rationing coupons. Goryachev has also used his administrative powers to exert strong control over local industry. Unfortunately for Goryachev, the Communist Party has not succeeded as he had hoped, and his region has been left to fend for itself.

Goryachev remained popular while the rest of the country was going through difficult times. Unfortunately, the development of market relations elsewhere, meant that Ulyanovsk was increasingly cut off from the rest of the country. When the Ulyanovsk Automobile Factory (UAZ) was no longer able to sell its products, there was no more money coming into the region.

The 17 August crisis was a boon for the Ulyanovsk Oblast leadership because it suggested that the rest of the country was on the wrong path, and since Ulyanovsk had chosen not to go down that path, its policies were completely justified. The opposition economist Sergei Glazev began to point to Ulyanovsk as a good example of what the rest of the country should do. Glazev had once worked with the young reformers, but then broke with them and now heads the Federation Council's Analytical Department with the support of Federation Council Speaker Yegor Stroevev.

Glazev will now run for a seat in the State Duma from the Ulyanovsk district with the strong support of Governor Goryachev. The authorities hope to win with the support of large regional enterprise directors and the large segments of the population that need social support.

Ulyanovsk Mayor Vitalii Marusin is Goryachev's main opposition in the region. He is working closely with Luzhkov's Otechestvo and the local Communist Party. The Communist Duma deputy from the region, Aleksandr Kruglikov, also has an unfriendly relationship with the governor.

Pyrma on Belgorod: Governor Cracking Down on Local Government

Belgorod Governor Yevgenii Savchenko, a member of the Agrarian Party, moved up his gubernatorial elections from 19 December to 30 May to prevent the Communists from mobilizing against him, according to Roman Pyrna (Institute for Humanities and Political Studies, IGPI, Moscow). Savchenko's desire to move the election caused a split in the local Communist Party since he had to win a two-thirds vote in the oblast legislature to approve the plan. Many Communist members of the body gave up their party membership to support him.

Now, Savchenko is working to secure his control over the region. He is creating an oblast Security Council, which could help him oppose the presidential representative in the region and improve his control over local government. Savchenko is moving from cooperation with the local government to cracking down on it. Since local elections will be held in March 2000, many mayors are growing concerned about holding on to their offices and starting to work more closely with the governor.

Nechaev on Kursk's Failed Authoritarian Experiment

Vladimir Nechaev (IGPI, Kursk) described Kursk as an unsuccessful attempt to create an authoritarian regime. Rutskoi is losing the control that he once held over the regional legislature, press, and local government. The chairman of the Oblast Duma now opposes Rutskoi and the region has a polycentric press.

Initially the Kursk elite did not oppose Rutskoi, who has often relied on outsiders to run the region. Moscow effectively played the role of Rutskoi's main opponent. Since many of the people around Rutskoi, including his relatives, violated the law, beginning in June 1997, the federal government was able to make a series of arrests in the region. However, not one of the cases has been completed and several of the officials charged have been sitting in jail for eighteen months without being convicted. Now a new party, called Kurskoe edinstvo, has been established by the former government and his allies to oppose Rutskoi.

SOCIAL ISSUES

NIZHNIi NOVGOROD HOPES TO MAKE SOCIAL PAYMENTS THROUGH SALES TAX. On 1 September Nizhnii Novgorod Oblast introduced a 5 percent sales tax. The oblast authorities claim that the tax is socially oriented for two reasons. First, all of the tax's revenue will go to a special fund used to pay public sector salaries, children's benefits, and social programs. Second, many goods and products are exempt from the tax, such as bread, milk, potatoes, and domestically produced children's goods. The oblast authorities consider the goods liable to the tax, such as chocolate, imported goods, and even tomatoes, cucumbers, and fruit, to be elite goods.

"We have poor people and those who are even poorer," according to Director of the oblast Economics and Forecasting Department Mikhail Teodorovich. "What is happening is that the poor people are helping the very poor. This redistribution from poor to very poor is our way of surviving together. There is no other way."

From the start, it was clear that consumers rather than producers bear the brunt of the tax. On the first day the tax was in place, many Nizhnii Novgorod enterprises and

producers (including the Gorkii Automobile Factory (GAZ), which managed to get a 3 percent rate for its products) raised the prices of their goods. Wholesale distributors reacted immediately to the tax, adding their own 5 percent increase. Not wanting to pay the tax from their own pockets, retail enterprises have increased the prices of many goods. If you trace the whole series of steps a product goes through before it reaches the shelf, the end result for consumers is a price hike of about 15 percent rather than 5 percent.

This system prompts another question: If the poor will share the burden with the very poor, won't the number of very poor actually increase? Nizhnii Novgorod residents should, according to the oblast authorities, help the destitute, but in reality they are helping the authorities to fulfill their obligations.

By introducing the sales tax the oblast authorities followed an approach not unfamiliar to the region. Three years ago when Boris Nemtsov was governor of the oblast, a 3 percent purchasing tax was in place for 11 months. This tax was adopted with the same goal--to supplement the oblast budget--and all tax revenue also went to a special fund earmarked for social needs. In sum, \$45 million was collected, approximately \$4 million per month. At that time there were no salary or benefit arrears.

The oblast authorities anticipate that the sales tax will bring in nearly 100 million rubles per month. Yet, even if it is able to collect this sum, the oblast may not be able to make all its social payments on time. Public sector salaries demand 176 million rubles a month and a similar sum is needed for other social benefits. The oblast must also pay out its half-year debts of approximately 1 billion rubles. If this tax does make it possible for oblast residents to receive payments, such as children's benefits (which is now 47 rubles per month per child), will this compensate for the additional expenses they will incur from the price increases?

After the 3 percent purchasing tax was introduced in 1995, prices jumped an average of 10 percent. After about two months they gradually started to come down. Nemtsov supposes that a similar scenario will occur now with the tax gradually being paid out by the profits of goods' producers since demand will fall, forcing them to forgo profits in order to maintain sales.

Sales taxes have had mixed results in neighboring regions. In one region it makes up nearly a fourth of the budget, but in others it is unsuccessful. Moreover, it is possible that the revenue generated from the sales tax will not go to salary payments. Two weeks ago, the television station Seti NN reported that the Nizhnii Novgorod branch of Sberbank had its 250 million ruble debt cancelled by the oblast administration. This essentially means that the oblast administration is unable to conduct additional financial operations at this time. - Yuri Rodygin in Nizhnii Novgorod

POLITICAL ECONOMY

LEBED, BYKOV ALUMINUM BATTLE CONTINUES. The battle between Krasnoyarsk Governor Aleksandr Lebed and Krasnoyarsk Aluminum Factory (KrAZ) Board of Directors Chairman Anatolii Bykov over control of the Achinsk Alumina Factory intensified during the past week. On 21 September, the Chelyabinsk Arbitration Court rejected Lebed's request to remove the former director of the plant, Nail Nasyrov, and replace him with a representative of the oblast administration. Instead, the court approved

an agreement of the plant's creditors meaning that the plant was no longer involved in bankruptcy proceedings and would no longer be controlled by an outside manager.

On the same day, the Achinsk Board of Directors elected Mikhail Tyumenev as its chairman. Tyumenev is the general director of the TANAKO corporation, which represents Bykov's interests. The board also elected Viktor Ostrovlyanchik as Achinsk general director. Under Nasyrov, he had worked as the plant's executive director.

The new managers, however, expressed doubt that Lebed and his allies in Alfa Bank group would adhere to the court decision and let them onto the territory of the plant. Lebed's allies gained control of the plant last week, after throwing out Nasyrov and his team with the backing of some police forces.

According to the Bykov-owned TVK (21 September), during the nine days that Lebed and Alfa controlled the plant, KrAZ has refused to buy raw materials from it. The pro-Lebed management wants KrAZ to pay \$240/ton for alumina rather than the \$90-100 charged under Nasyrov.

However, according to the Krasnoyarsk media, in the past an intermediary firm bought the alumina from Achinsk for \$90/ton and then sold it to KrAZ for \$240/ton. Presumably, Bykov was using the money made in this process for his own purposes. Now Lebed claims that by removing Nasyrov, he will use the additional income to supplement the Krasnoyarsk Krai budget.

Despite their inability to sell the alumina, the pro-Lebed managers of the Achinsk plant have raised the salaries of the workers at the plant. The workers had backed Nasyrov against the Lebed administration, but the raise has caused a split in the workers' ranks. To pay the workers more, the pro-Lebed administration has apparently taken out a 26 million ruble credit from Alfa Bank at a 200 percent interest rate. Despite paying the higher salaries, however, Achinsk has not paid for its fuel oil deliveries, which threatens the plant with a costly shut down. Clearly, this battle is far from over. - Pavel Avramov in Krasnoyarsk

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The Russian Parliamentary Elections of 1995
The Battle for the Duma

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EastWest Institute
Russian Regional Report
Vol. 4, No. 36, 29 September 1999

Russian Cohesion Index: -30 (down 5 this week)

Disintegration.....T.....L.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iewe.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

----- Russia's bombing campaign against Chechnya has caused thousands of Chechen refugees to flee to Ingushetiya and North Osetiya. These republics are completely unprepared to handle the influx of refugees, creating a humanitarian disaster. Other regions in the North Caucasus, such as Rostov Oblast, are trying to limit the number of migrants from the Caucasus. The federal government has yet to find an effective way to deal with the multiple problems plaguing the North Caucasus, inviting further conflict and ethnic tension. (-2)

----- The recent armed removal of Dmitrii Savelev as general director of Transneft, the armed seizure of documents from a bank in Nizhnii Novgorod, and the installation of policemen to oversee a disputed archive in Omsk are examples of the ever-popular trend of the political authorities using the police to suit their personal interests. Although this tactic is not new, its increasing prevalence is a dangerous impediment to the development of democratic governance. (-2)

+++++ The Rostselmash Combine Factory, which has been suffering financially since it lost access to state funds with Primakov's dismissal, is undergoing an ambitious restructuring program that should make the enterprise profitable. Without the security of state subsidies, the industrial giant has been forced to become more fiscally responsible and could serve as an example for other loss-making Soviet-age enterprises trying to adjust to the market system. (+1)

----- In what local observers suspect was a political deal, a Voronezh court acquitted two of three aides to Voronezh Governor Ivan Shabunin of corruption charges that were filed last year. Such apparent manipulation of the legal system by political bosses weakens the already fragile rule of law. (-1)

----- Beyond the dispute over army recruits, Tatarstan is wrangling with Moscow over the alphabet it uses to write the Tatar language and whether local legislators have legal immunity. Such challenges could further erode Russia's federal system. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Stavropol Governor Wants More Guns for Cossacks

Omsk Governor, Mayor Continue To Battle

Voronezh Court Rules on Administration Corruption Cases

Berezovskii Claims Cooling Ties to Lebed

Elections 1999/2000

Ulyanovsk Governor Rejects Yedinstvo Bloc Membership

Pskov Media Battle over Duma Elections

Yabloko Creates New Branch in Omsk

Center-Periphery Relations

Increasing Conflict in Moscow-Tatarstani Relations

Media Issues

Yekaterinburg Journalist Attacked

Political Economy

Samara Gazprom Branch Gains Control of Local Electrical Utility

Sakha Launches First Oil Refinery

Volgograd Governor Loses Influence at Important Plant

Foreign Ties

Arkhangelsk Maintains Extensive Ties with Neighbors

EU Studies Expansion Effects on Kaliningrad

Advertisements

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BREAKING NEWS

POLITICS

SHOIGU AGREES TO HEAD NEW BLOC. Minister of Civil Defense, Emergency Situations, and Natural Disasters Sergei Shoigu has agreed to head the new pro-Kremlin governor's bloc, Yedinstvo (see *EWI Russian Regional Report*, 23 September). The bloc, to which 39 Federation Council members had apparently signed on, has dwindled down to 31 (see article about Ulyanovsk Governor Yurii Goryachev in this issue). However, Shoigu expects that the group's membership will increase following its founding congress, which will be held in Moscow on 2 October. Shoigu will take the first spot on the bloc's party list and the second spot will go to wrestler Alesandr Karelin.

In order to head up the campaign, Shoigu is taking a temporary leave from his ministerial post at the suggestion of Prime Minister Vladimir Putin. In his absence First Deputy Minister of Civil Defense, Emergency Situations, and Natural Disasters Yurii Vorobeva will serve as acting minister. If the Yedinstvo bloc passes the 5 percent barrier

in December, then Shoigu will have to decide whether to take a seat in the Duma or remain in the federal government.

An important question in forming the Yedinstvo list is whether or not Our Home is Russia (NDR) (the previous Kremlin "party of power" which has been abandoned by many governors in favor of the Otechestvo-Vsya Rossiya bloc) will join forces with new bloc. NDR head Viktor Chernomyrdin, announced that he is not opposed to the idea of a merger with Yedinstvo. However, apparently Chernomyrdin told Vladimir Ryzhkov, the head of the NDR's State Duma faction, to work together with the new bloc, but not to publicly announce that NDR was joining the group. Chernomyrdin wants to ensure that NDR will receive proper billing on the Yedinstvo ticket before making any formal agreement (*Nezavisimaya Gazeta*, 28 September).

SITUATION IN KARACHAEVO-CHERKESIYA REMAINS UNRESOLVED. On the evening of 26 September demonstrators who had been blockading the government building in Cherkessk were removed. The blockade, established to protest the results of the Karachaevo-Cherkesiya presidential elections and the inauguration of Vladimir Semenov, lasted for six days. According to *Nezavisimaya Gazeta* on 28 September, the blockade was of a much more violent character than previous demonstrations organized by supporters of defeated candidate Stanislav Derev. Derev supporters have been protesting continuously since the second round of elections in May. The protestors prevented not only Semenov, but several other civil servants, including acting republican Prime Minister Osman Botashev, from entering the building.

Even though police pressure was able to remove the blockade, it will take a lot more to find a lasting solution to the conflict in the republic. Neither Semenov nor Derev support Moscow's proposals to create a new ethnically -apportioned governing structure similar to the State Council in Dagestan or hold new elections. The two leaders refuse to make any concessions. Derev will not recognize a Semenov-led government and declined a proposal to become the republic's prime minister with the role of creating an inter-ethnic government under Semenov. Semenov refused to give up his post as republican president, even though he was promised the post of Russian first deputy minister of defense as a form of compensation (*Vremya MN*, 24 September).

It appears that the federal government will continue to try to preserve order without radically restructuring the republic. The federal government is planning to establish a special commission for regulating the conflict. Additionally, Moscow will help organize the republican elections for the State Duma and republican People's Assembly, which it hopes will help to establish an operational government in the republic. (*Nezavisimaya Gazeta*, 28 September, *Vremya MN*, 24 September)

TATARSTANI RECRUITS TO RETURN HOME FROM DAGESTAN. The Tatarstan State Council will once again allow for soldiers from the republic to be called into service by the Russian army starting on 1 October. On 14 September the State Council had adopted a decision to stop sending soldiers from the republic to serve in the conflict in Dagestan after two young recruits from the republic who had joined the army only this summer had been killed (see *EWI Russian Regional Report*, 23 September). On 25 September a federal delegation visited Dagestan and ordered that the 43 recruits who had been in the army for less than 6 months be removed from the conflict zone as soon as

possible. If the recruits are returned to their bases by 1 October, then Tatarstan will reverse the 14 September decision.

YABLOKO AND BOLDYREV DEPUTIES BLOCK QUORUM IN ST.

PETERSBURG. The St. Petersburg Legislative Assembly has yet to settle when the city's gubernatorial election will be held. Last month a group of deputies proposed moving the elections, which are supposed to take place next spring, to correspond with the State Duma elections in December (see *EWI Russian Regional Report*, 2 September). St. Petersburg Governor Vladimir Yakovlev then appeared before the Legislative Assembly with a formal request to accept the proposal. Yakovlev's action is particularly ironic given that back in 1996 when then St. Petersburg Mayor Anatolii Sobchak moved up the city's mayoral elections, Yakovlev promised that he would never violate the law in such a way.

The governor cited three reasons for moving up the elections: to reduce state expenditures on elections, make the elections more convenient for voters (who are busy planting their garden plots in spring), and to separate the elections from the World Hockey Championships, which will be held in St. Petersburg in spring 2000. However, it is clear that Yakovlev's real motivation for moving up the elections is to secure his own reelection by not giving his opponents time to campaign effectively. In regard to the issue of economizing, several deputies pointed out that unlike the State Duma elections, the gubernatorial elections are held in two rounds, and the 1999 budget cannot support the additional expenses. However, Yakovlev has promised to finance the elections from his reserve fund, which has nearly 250 million rubles.

However, 34 votes are necessary for a quorum and Yakovlev's opposition has prevented the governor from getting his way by boycotting the assembly sessions and twice preventing the body from reaching a quorum. Of the deputies preventing a quorum, 9 are from the Bloc of Yurii Boldyrev and 8 are from Yabloko. Over the past several days the city administration has tried to win over the deputies, offering them various forms of assistance. The Boldyrev deputies appear to be wavering, but Yabloko intends to hold strong. The last possible day that the respective amendment and laws can be passed and signed by the governor for the elections to be moved to December is 9 October, and it is possible that the rebel deputies will continue to prevent a quorum until then. (*Kommersant Daily*, 24 September)

CHECHEN CONFLICT CREATES REFUGEE DISASTER IN NORTH

CAUCASUS. Russia's renewed bombing of Chechnya has served to further exacerbate the already extreme refugee problem in the North Caucasus. Chechens began fleeing their homes immediately after Russia began its bombing raids over Grozny, certain that the air strikes would inevitably lead to a ground operation. As many as 60,000 have poured over the North Osetiya and Ingushetiya borders, forming tent cities along the border zones. According to local authorities the situation is a humanitarian catastrophe as the refugees have nothing to eat or drink, no place to live, and are unable to work. Ingushetiya has already appealed to the United Nations for humanitarian aid, not expecting to receive the necessary resources from the Russian government. The Russian officials, on the other hand, claim that they can handle the situation without outside help.

Local authorities are naturally concerned about the massive influx of refugees. The situation in both North Osetiya and Ingushetiya is bleak. The Chechen refugees have no intention of going back home, and the regions they are entering already suffer from severe unemployment. Ingushetiya, for example, is still trying to resettle its own refugees from the Prigorodnyi Raion conflict with North Osetiya (see *EWI Russian Regional Report*, 4 March). (*Kommersant Daily*, 25 September)

Other Russian regions in the North Caucasus are trying to prevent a refugee crisis by adopting harsher migration measures. Rostov Oblast recently passed a law limiting the number of migrants to the region. This law, which was adopted almost unanimously following the explosion in Volgograd, is intended to limit the number of migrants from the Caucasus. According to the new law, refugees from the Caucasus can register in Rostov Oblast only if they have close relatives who have lived in the oblast for at least five years. The irony of this law, which is clearly intended to limit the number of ethnic minorities coming into the oblast, is that the majority of the refugees coming from the Caucasus are members of the Russian-speaking population. (*Vremya MN*, 23 September)

LUZHKOVA GETS MOCK WEBSITE FOR HIS BIRTHDAY. Critics of Moscow Mayor Yuri Luzhkov have found a new media tool to blast the mayor. On Luzhkov's birthday, 21 September, a new web site was launched, www.luzhkov.ru, which at first glance looks like a mirror image of the mayor's official site, www.luzhkov.ru, displaying the same front page. The mock site systematically criticizes Luzhkov as a robber baron by poking fun at various details of the mayor's life. For example, under the "Family" heading is a colorful cartoon entitled "The Moscow Family," which depicts Luzhkov and his clan laughingly breaking piggy banks to fill up the city safe. In the "Biography" section there is a sentence regarding Luzhkov's father, who moved to Moscow in the 1930's, which reads, "under Stalin it was clearly much easier to settle in the capital than under the governance of his son Yuri at the end of the 90s."

Mikhail Solomentsev, a spokesman for Luzhkov, told *The Moscow Times* on 25 September that the mayor's office was still trying to determine who was responsible for the site. He did state that "the material is very similar to the anti-Luzhkov publications in many Berezovskii-owned newspapers" and added that he expected that the site would be gone soon, suggesting that the mayor's office may be trying to hack the site. Having a site officially closed is a difficult process. *Kommersant Daily* noted on 25 September that there are no real grounds for having the site closed as it is void of pornography or calls for violence or anti-constitutional activities. Furthermore, there is no legal precedent in Russia for having a World Wide Web site closed. It is not entirely clear whom a suit should be brought against--the provider, registry, or creator of the site.

ECONOMICS

DONINVEST TO ASSEMBLE CITROENS IN TAGANROG. Rostov Oblast's Doninvest, which opened up an automobile assembly plant at the Taganrog Combine Factory in September 1998 for assembling South Korean Daewoo models (see *EWI Russian Regional Report*, 17 September 1998), has decided to add Peugeot's Citroen Berlingo to its production line. The factory already produces Daewoo's Lanos, Nubira,

and Leganza models (known as Doninvest-Assol, Doninvest-Orion, and Doninvest-Kondor throughout Russia).

When the factory was originally built, its investors hoped to reach its maximum capacity of 120,000 cars per year within 5 years. However, the severe drop in automobile demand in Russia that resulted from the August 1998 financial crisis as well as Daewoo's own internal difficulties have prevented the Taganrog facility from operating anywhere near its goal. During the first few years of operation the plant should have assembled no less than 20,000 automobiles annually, but since January 1999 it has produced just over 9,000. Doninvest decided that it was necessary to seek out other automobile manufacturers aside from Daewoo in order to increase Taganrog's level of operation, and signed an agreement with the Peugeot Citroen PSA Group in May.

Doninvest has high hopes for the Berlingo model since there are few similar lightweight commercial automobiles on the Russian market. The present cost of a Berlingo in Russia is \$15,000, which is too high for an automobile of this class. Therefore assembling the cars in Russia should bring down their cost considerably to improve sales. However, this is dependent on Doninvest securing the same customs privileges for the Berlingo that it secured for the Daewoo models. Doninvest plans to accomplish this by presenting the Berlingo model as a more spacious version of the Orion. It is unclear how Peugeot feels about such a categorization. (*Kommersant Daily*, 24 September)

ROSTSELMASH HOPES TO BREAK EVEN THROUGH RESTRUCTURING.

Although John Deere's interest in working collaboratively with Rostov Oblast's Rostselmash to produce John Deere combines looked promising earlier this spring (for details see *EWI Russian Regional Investor*, 1 July), the project has not moved forward at all over the past few months. Now the company is undergoing other restructuring efforts to make itself profitable.

In order to increase its efficiency and reduce its financial obligations, Rostselmash is converting several of its idle facilities to manufacture consumer goods. In June the company restructured itself into a holding company and spun off its first six subsidiaries, the Liteiny foundry, the Haystacker plant, the RZTsL non-ferrous metals foundry, the Konrod boiler factory, the SITO toolmaker, and the RDOZ wood-processing factory. Some commercial products the subsidiaries might manufacture include washing machines, roof tiles, juicers, radiators, and coffee grinders.

Rostselmash intends to turn several more workshops into subsidiaries and will close others and sell them for scrap. Additionally, Rostselmash has transferred some of its property to help create the share capital for 15 new small businesses that include repair shops, a health resort, equipment leasing firms, and other firms that are engaging in activities which Rostselmash previously handled in-house. Although these firms are not providing any direct profits for Rostselmash, they have helped reduce the enterprise's financial burden. Once the full restructuring effort is completed, Rostselmash will have spun off 14 companies

This restructuring effort was first proposed several years ago and probably would not have gone forward if Rostselmash still had the assurance of state funding. However, once former Prime Minister Yevgenii Primakov was removed from the government, Rostselmash lost access to the funding he had provided and was forced to enact a tougher

fiscal policy. Regarding its combine production, Rostselmash began to accept only those orders that are paid for in advance or have provided guarantees of payment. Rostselmash has calculated that it needs to produce 1,200 combines a year to break even. As there is no real demand for Rostselmash combines, the company knows that striving for anything more than breaking even is unrealistic. (*The Moscow Times*, 28 September)

PATTERNS OF REGIONAL DEVELOPMENT

STAVROPOL GOVERNOR WANTS MORE GUNS FOR COSSACKS. Stavropol Krai Governor Aleksandr Chernogorov rejects the idea of granting Chechen independence. "It is a region within the Russian Federation and we must base our policies on this fact. To do otherwise might start the dissolution of Russia," *Pyatigorskaya pravda* reported 21 September. He also stressed the need to elevate the role of the Cossacks and provide them with guns to defend Stavropol's borders against incursions from Chechnya.

Although the governor supports the federal government's actions, the deputies of the Krai Duma believe that they may have to adopt local laws to defend the krai's eastern border, even if the legislation violates federal laws. At their meeting on 27 September, they noted that given federal inaction, they would have to take matters into their own hands. - Olga Morozova in Pyatigorsk

OMSK GOVERNOR, MAYOR CONTINUE TO BATTLE. Even though the Omsk governor and mayor were reelected to office this month (see *EWI Russian Regional Report*, 16 September), they are continuing to battle each other. Now the two leaders are seeking to gain control over the income generated from city property, *Vash Oreol* (22-28 September) reported. The battle is taking the form of a struggle between the city's Real Estate Department and the oblast's Property Management Administration for control of the city archive of inventories and registrations. Whoever controls the archive controls the income. The oblast bases its claim on an oblast court ruling awarding it authority over the archive, while the city authorities are appealing the decision and saying that the battle is far from over.

The city has gathered the information stored in the archive for the last 70 years. The oblast initially sent 15 policemen to take over the archive, but now only one remains to keep an eye on things. Oblast officials have been loath to talk about the case with the media. The example of Transneft in Moscow, where the director was removed two weeks ago with the help of 300 special police, suggests that the Omsk conflict may be resolved in a similar manner. (For more on Transneft, see this week's *EWI Russian Regional Investor*). - Marina Chukhlomina in Omsk

VORONEZH COURT RULES ON ADMINISTRATION CORRUPTION CASES.

The Voronezh Oblast Leninskiy Raion Court has finally come to a decision in the corruption cases filed against key aides to Governor Ivan Shabunin last year. Last fall, federal officials arrested several officials close to the governor, including Deputy Governors Vadim Sukhoverhov and Yuriy Tschepkin and businessman Aleksandr Popov.

The court acquitted Tschepkin and Popov. Sukhoverhov was convicted of embezzlement and illegal business activities (see *EWI Russian Regional Report*, 29 October 1998). After the verdict was announced, he continued to maintain his innocence.

He was sentenced to three years in jail, but because of extenuating circumstances (he had no previous convictions and his son is a minor), the sentence was suspended. He was released immediately following the trial, but is barred from holding public office for three years (<http://www.voronezh.ru:8080/inform/news/>).

Possibly there was not enough evidence to convict the former officials. However, some local observers think that the court decision was the result of a political deal. The head of the local Federal Security Service (FSB) department Vladimir Kulakov said "Today I can say for sure that these people... stole an enormous sum of money from the oblast's budget - from 30 to 80 million rubles" (*Voronezhskiy Ve sti*, 24 September). Despite the federal authorities' belief in the strength of their case, it is possible that there was pressure on the court to release the defendants. Finding the two former deputy governors guilty of accepting bribes and embezzling state money and putting them behind the bars would have been a political embarrassment for the governor. Thus the administration and court may have reached a compromise allowing both sides an out.

However, the final decision satisfies neither Sukhoverhov nor the oblast procurator. Sukhoverhov's lawyers are seeking a new trial to rehabilitate their client. Meanwhile, the procurator protested the court decision as "too lenient." (*Novaya Gazeta v Voronezhe*, 28 September). - Andrei Muchnik in Voronezh

BEREZOVSKII CLAIMS COOLING TIES TO LEBED. During a visit to Krasnoyarsk last week, Boris Berezovskii said that he "condemns" the actions of Krasnoyarsk Governor Aleksandr Lebed regarding the Achinsk Alumina Factory. Lebed is trying to wrest control of this plant from his political enemies (for background information see *EWI Russian Regional Report*, 16, 23 September). Berezovskii also said that his relations with the governor had cooled considerably as a result of Lebed's actions at the plant since Berezovskii is categorically opposed to any transfer of ownership under the present conditions.

The conflict regarding the factory is far from over. The new Chairman of the Board of Directors Mikhail Tyumenev and General Director Viktor Ostrovlyanchik are unable to get on the factory's grounds, which are guarded by police, secret service, and factory security loyal to Governor Lebed.

Meanwhile, Berezovskii continues to court the Krasnoyarsk public. On 28 September a group of American eye surgeons sponsored by Berezovskii arrived in Krasnoyarsk. Over the next several days the doctors will perform free operations for krai residents who need the surgery but are unable to pay for it. - Pavel Avramov in Krasnoyarsk

ELECTIONS 1999/2000

ULYANOVSK GOVERNOR REJECTS YEDINSTVO BLOC MEMBERSHIP.

Ulyanovsk Oblast Governor Yurii Goryachev has declined to join the new Yedinstvo governors' bloc and criticized the politicians and media in the region who claimed that he was a member. Goryachev repeated his previous assertion that he would join no other political organization than the Ulyanovsk Union of Patriots. He said that he would sue the newspaper *Simbirskie gubernskie vedomosti*, which in sarcastic tones described his association with Yedinstvo, and through it with Boris Berezovskii and the Kremlin

administration. Goryachev did not deny that he signed the so-called Declaration of 39 Governors.

Most likely Goryachev's interview on Russian Public Television (ORT) confused *Simbirskie gubernskie vedomosti* (28 September). Surrounded by other governors who had also signed the declaration, he spoke about the need to bring together all regional leaders to ensure honest elections. The national media has reported that those governors who signed the declaration were invited to join the Yedinstvo bloc and Goryachev was not an exception.

Oblast Legislative Assembly Chairman Sergei Ryabukhin said that the declaration Goryachev signed did not provide the basis for founding a new political bloc (*Simbirskii kurer*, 28 September). Ryabukhin said that the Declaration of the 39 Governors is strangely reminiscent of the Charter of Political Accord, which was signed at the Fourth All-Russian Congress in Nizhnii Novgorod in the middle of September. Thirty members of the Federation Council signed the charter, including Ryabukhin and Goryachev. The document calls for the consolidation of society for the good of Russia. After the publication of the Charter, Ryabukhin said, Chukotka Governor Aleksandr Nazarov "copied" the main points of the charter and included them in the Declaration of the 39, after which the Yedinstvo bloc was announced.

Ryabukhin called this a "textbook" tactic for building a new bloc. He claimed that Samara Governor Konstantin Titov used similar methods to "buy" his colleagues. He approached Ulyanovsk Federation Council members and said "Are you offended by the federal budget and the unjust distribution of subsidies? Then sign this document. Twenty-eight of us have already done so." Goryachev and Ryabukhin signed the document and three weeks later discovered that their names had been included on the Golos Rossii party list that Titov submitted to the Justice Ministry for registration. "This is a dishonest technique for building a party," Ryabukhin said. - Sergei Gogin in Ulyanovsk

PSKOV MEDIA BATTLE OVER DUMA ELECTIONS. Pskov Oblast is witnessing a rather lopsided media battle on the eve of the State Duma campaign. During the past few years, Pskov Governor Yevgenii Mikhailov has succeeded in gaining control of practically all electronic and print media in the region, regardless of whether they are state or privately owned. Now the "media empire" of the governor, who is a member of Vladimir Zhirinovskiy's Liberal Democratic Party of Russia (LDPR), includes the oblast branch of the national television and radio company, the newspaper *Pskovskaya pravda*, 24 raion newspapers, the popular weekly *Panorama*, and the oblast television and radio transmission center. Controlling the transmission center gives the governor leverage over the private television and radio companies since he can regulate the price they must pay to broadcast their programming. The governor also controls the broadcasters' licensing procedures. The governor is using his control of the media to shape social opinion by trying to discredit any potential political opponents on the eve of the elections to the State Duma.

The single opposition newspaper in the region is *Novosti Pskov*. It is politically and financially controlled by Pskov Mayor Aleksandr Prokofev, a long time critic of the governor, particularly of his budgetary policies toward the city. Under the mayor's shield, the newspaper publishes a wide range of the governors' critics, regardless of their political sympathies.

The political line supported by Mikhailov completely coincides with the program of the LDPR and the public statements of party leader Zhirinovskiy. The pro-gubernatorial media consistently criticizes Yabloko, Otechestvo, and the Communist Party of the Russian Federation (KPRF), the LDPR's main opponents in the coming elections. The media also describes NATO and the USA as the main foreign enemies.

Zhirinovskiy has stated many times that he wants to abolish Russia's ethnically defined republics and combine many of the existing 89 regions into larger territories. In a *Panorama* article criticizing the Otechestvo-Vsya Rossiya bloc, Tatarstan President Minitimer Shaimiev, Bashkortostan President Murtaza Rakhimov, and Ingushetiya President Ruslan Aushev were described as "parasites." The article charged that these republics took advantage of the well-intentioned federal center to rob the resource-poor Russian regions, with Pskov Oblast at the top of the list. The article also charged that some of the money collected for the Ingushetiya budget goes directly to arming Islamic terrorists fighting against the federal forces in Dagestan.

This article so upset a number of social and human rights organizations in the region that they felt it necessary to apologize on behalf of the governor to the republican leaders. Shaimiev intends to file a suit against *Panorama* to defend his honor and dignity, while Aushev is planning to appeal to the presidential Judicial Chamber on Informational Disputes.

The Pskov Oblast "party of power" candidate for the State Duma is Mikhail Kuznetsov. In 1995, he was elected to the Duma from the LDPR party list from Tatarstan and is currently the deputy chairman of the Committee on the Budget, Taxes, Banks, and Finances.

Kuznetsov is also on the advisory board of the powerful Russian bank, MDM-Bank (ranked number 26 in Russia in terms of deposits by *Ekspert*, 13 September). After Mikhailov's election as governor, MDM-Bank for a long time handled the region's finances. Kuznetsov's main trump is his active lobbying of Pskov's financial interests in the State Duma. All construction in the oblast sponsored by the federal or oblast budget is a result of Kuznetsov's work, according to the local media.

Kuznetsov's main opponent in the elections is likely to be Vladimir Nikitin, the leader of oblast KPRF branch and a member of the Narodovlastie Duma faction. However, the Pskov leftists have not made a final decision on their candidate. It is also possible that the more radical chairman of the Velikie Luki City Duma, Anatolii Murylev, could replace the moderate Nikitin on the ballot. The pro-gubernatorial media is constantly accusing Nikitin of misusing the federal funds his Sootechestvenniki Foundation receives from the federal budget to build houses for refugees and forced migrants.

Among the independent candidates who could run are Yevgenii Podkolzin, the former commander of the Russian paratroopers, and the infamous television journalist Aleksandr Nevzorov, who may have the support of his TV boss, Boris Berezovskii. Nevzorov currently holds Pskov's single-member district seat. Another potential contender is businessman Igor Savitskii, who is a member of the oblast's Legislative Assembly. He is the director and owner of the large chemicals enterprise Plastprom. His main assets are his independence from the main political parties, strong popularity in the city of Pskov, his reputation as a philanthropist, and his financial independence from Governor Mikhailov and Mayor Prokofev. It is also well-known that he does not have

any connections to the criminal world. The governor has been attacking Savitskii by sending the tax police to audit several of the firms subordinate to his main company. The inspectors have searched many of their offices and filed suits against their directors.

In response to these attacks, Savitskii has accused the director of the oblast tax police, Gennadii Podznoev, of abusing his office, not paying taxes on his car and apartment, and taking bribes. Savitskii believes that Podznoev's crimes make him completely dependent on the oblast authorities who then use the tax police to punish political opponents.

Given the early use of these tactics, it is reasonable to expect that the election campaign will be extremely dirty. - Andrei Shcherkin in Pskov

YABLOKO CREATES NEW BRANCH IN OMSK. Valerii Ostanin, a member of Yabloko's Central Council presented Omsk Oblast's new Yabloko party branch last week, *Vash Oreol* (22-28 September) reported. The previous Omsk party chapter was closed down several months ago as part of a Yabloko move to expel undesirable members from its ranks. The new leader of the Omsk branch will be Nikolai Kovyrshin, the former deputy head of the oblast's Department of Internal Affairs, a former member of the Legislative Assembly, and now a jurist.

The new Yabloko branch does not really exist yet because Kovyrshin has created the chapter from about 15 people who were not previously Yabloko members. To become a full member of the party, an individual must serve as a candidate for six months. Therefore, the founding congress of the new Yabloko chapter will not take place until the end of the year. Yabloko no longer wants the former members to be involved in the party, according to Kovyrshin.

Despite its preliminary status, the new chapter is already participating in the State Duma elections. Ostanin said that the Omsk branch had collected 14,000 signatures to get Yabloko on the ballot. On Yabloko's West Siberian party list, Ostanin, the leader of Yabloko's Altai Krai chapter is ranked number one, Omsk Deputy Mayor for economic policy Yurii Fedorov is number two, and Novosibirsk party leader Aleksandr Lubenets is number three.

Ostanin sharply criticized the Omsk Oblast Department of Justice for slowing the implementation of the party's decision to abolish the previous Omsk Yabloko chapter headed by Anatolii Babenko. He complained that the authorities were ignoring the requirement of the law and that Babenko was continuing to claim that he spoke for Yabloko. The Justice officials claim that Babenko has appealed the Central Council's decision to abolish his party chapter to the party congress, the ultimate authority, but Ostanin claims that no such documents exist. Ostanin is seeking to have Babenko thrown out of the party. - Marina Chukhlomina in Omsk

CENTER-PERIPHERY RELATIONS

INCREASING CONFLICT IN MOSCOW-TATARSTANI RELATIONS. In addition to the dispute over whether Tatarstani recruits should serve in Dagestan (see separate article in this issue), Tatarstan and Moscow are coming into conflict about at least two other issues. First, Tatarstan has adopted a decision to transfer from writing the Tatar language with Cyrillic to Latin letters. The transition will take ten years, starting on

1 September 2001. Moscow politicians interpreted this decision as a desire on the part of Tatarstan to distance itself from Russia.

In Tatarstan there is no unity among specialists about the usefulness of switching to Latin letters. Advocates of the change assert that Cyrillic was adopted in 1939 under pressure from a totalitarian regime and that Cyrillic letters do not completely represent the full range of sounds existing in Tatar.

Opponents of the change claim that it will require enormous financial outlays to train teachers, reprint textbooks, rework dictionaries, and take care of other requirements. They also claim that all the works of national culture written in Cyrillic will be lost. However, no one is concerned about the political aspects of the question, particularly whether this decision will affect relations with Moscow.

Another conflict involves the granting of parliamentary immunity to local politicians. On 28 September a court was supposed to hear the case against Kazan City Council Deputy Rakhmatullin, who is charged with fraud and abuse of office. But the case has been returned for further investigation because the prosecutors did not ask the city council to lift Rakhmatullin's immunity. The city council has asked that the court set aside the case.

Behind this particular case is an old argument between Moscow and Kazan about whether local legislators have immunity from legal prosecution. The federal authorities think that they do not and point to the power-sharing agreement between Moscow and Tatarstan which leaves criminal issues in the hands of the federal authorities. Moreover, the Russian Constitutional Court has ruled that only members of the national or regional (republic or oblast) parliaments have immunity. However, in this case, the Kazan legislators do not feel obligated to obey federal laws, the power-sharing treaty with Russia, or the Russian Constitutional Court. - Midkhat Faroukshine in Kazan

MEDIA ISSUES

YEKATERINBURG JOURNALIST ATTACKED. The pressure exerted by criminal groups on journalists is sharply limiting their freedom of speech according to articles recently published by nearly all Sverdlovsk Oblast newspapers. The reason for this latest wave of concern is the attack on Kirill Derbenev, a correspondent for the local ATN television station. Last week Derbenev was admitted to the hospital with knife wounds after two unidentified masked assailants attacked him on the way home. The assault took place 300 meters from the TV station. After saying "Journalist, you've been warned!" the attackers slashed Derbenev's face. The authorities are currently looking for the assailants.

Derbenev has no doubt that the attack is a result of his professional activities at ATN. He is the host of the "Hot Spot" show, which discusses criminal activities in Yekaterinburg and Sverdlovsk Oblast. According to Derbenev, both he and his son have received numerous threats, with the most recent coming just a few days before the attack.

Derbenev's case is not the first assault by the criminal world on the local media. During the last year, the independent Ural Television Agency, which prepares daily news reports, was also attacked. During the gubernatorial election campaign, the apartment of Channel 4 Media Holding President Igor Mishin was destroyed in a fire. Mishin said that the events were a result of Channel 4's independent position and its rejection of a number of "offers to cooperate." Additionally, popular ATN anchorman Eduard Khudyakov was

attacked several months ago. The attack on Derbenev was simply just another link in this chain.

Vladimir Frolov, the chairman of the board of directors of the Severnaya Kazna bank, one of the founders of the ATN television station, said that the bank would pay \$5,000 to anyone who provided information leading to the arrest of the attackers. However, local journalists are skeptical that the reward offered will be enough to solve the case. None of the perpetrators in the other attacks on journalists have been brought to justice.

According to official statistics, Yekaterinburg is one of the most criminalized cities in Russia. Local journalists fear that they will continue to fall victim to violent attacks. - Dmitry Strovsky in Yekaterinburg

POLITICAL ECONOMY

SAMARA BRANCH OF GAZPROM GAINS CONTROL OF LOCAL ELECTRICAL UTILITY. Volgopromgaz head Vladimir Avetisyan was named acting general director of Samaraenergo on 23 September. Thus, for the first time, a company directly subordinate to Gazprom has gained control over a regional subsidiary of Unified Energy System (EES). Local observers are already talking about the creation of a united gas and energy company whose power as a potential monopolist exceeds anything else witnessed in the Russian regions.

The possibility of Avetisyan taking over Samaraenergo was first broached last winter when EES head Anatolii Chubais visited Samara. Chubais is the main ideologist and, likely, financial supporter for the Union of Rightist Forces. Since Samara Governor Konstantin Titov was one of the major participants in the bloc, Chubais was prepared to name one of his allies as the head of Samaraenergo. And, indeed, Avetisyan is considered a close ally of the governor.

The term of Samaraenergo's former leader, Boris Remezontsev, ran out in fall 1999. Remezontsev, who was not considered an influential player, had favored a policy of keeping the electricity utility separate from the gas providers. In most regions, the head of the electricity utility often has considerable clout with the governor. Avetisyan will likely be confirmed in his position at an extraordinary meeting of the Samaraenergo stockholders on 15 November.

Avetisyan has already announced several of his plans. He will raise electricity rates for the population by 25 percent. Additionally, he will equalize the rates paid by domestic households and industries. At present, businesses pay significantly more than residents.

With this effective merger, Volgopromgaz has powerful tools to exert pressure on businesses in the oblast and will focus on securing the payment of industrial enterprises' debt to Samaraenergo. - Andrei Perla in Samara

SAKHA LAUNCHES FIRST OIL REFINERY. On 16 September, Sakha launched its first oil refinery. The plant has the capacity to refine 100,000 tons of oil a year and has no equal in the rest of north-east Russia.

Construction began six years ago. Because of a lack of funding, the work proceeded with fits and starts for three years and then the site stood idle for a year. After

an extensive search, an investor was found, the Nizhnii Novgorod oil company Sibur NN. Since June 1998, it has invested 32 million rubles, allowing the completion of the first stage of construction.

The launch of the refinery has strategic importance. With oil reserves of 295 million tons, in two to three years Sakha may be able to avoid the expensive process of importing fuel from other regions. This year alone, the republican government spent 2.3 billion rubles on oil products for state needs. Overall, the public and private sectors in the republic spend 5.5 billion rubles to import fuel annually.

Already consumers in Western Sakha are receiving cheap fuel. By the end of the year, the factory should begin producing bitumen and in 2001 the plant will add the capacity to process another 300,000 tons of oil a year. - Oleg Yemelyanov in Yakutsk

VOLGOGRAD GOVERNOR LOSES INFLUENCE AT IMPORTANT PLANT. At a 15 September meeting, the creditors of Volgograd's bankrupt Red October Metallurgical Factory adopted a program for improving the plant's finances prepared by the Flora Bank group. The oblast authorities had backed an alternate program prepared by the MAIR group. The major creditors include Volgogradenergo, Volgogradtransgaz, Volgogradvodokanal, Volgogradgorgaz, Teplovye seti and several others who have a combined 92.35 percent of the votes.

Red October is a major contributor to the city budget and one of the largest employers, so the oblast authorities took a special interest in its fate. External Manager A. Rogov succeeded in stabilizing the current situation at the plant (see *EWI Russian Regional Report*, 28 January), however, he could not pay off the plant's enormous debts.

Both plans promised to avoid staff reductions at the plant and sought to pay off all salary and social payment debts to plant employees. However, the MAIR group, led by the Volgograd Pipe Factory Director Igor Kuzmin, suggested giving the oblast 25 percent plus one stock of the newly created enterprise. The Flora group already owns one of the most successful factories in the city, the Volgograd Aluminum Factory (see *EWI Russian Regional Investor*, 4 March).

The unified voting by the large creditors suggests that the oblast authorities have little leverage over the local economy. These same creditors are owed money by the majority of the oblast's industrial enterprises and public sector organizations. By taking this vote, the creditors signaled Volgograd Oblast's Communist administration that they would not take its opinions into account in the further redivision of property in the region. It is also likely that these energy enterprises are not likely to work loyally with the oblast authorities in the upcoming elections either. - Ivan Kurilla in Volgograd

FOREIGN TIES

ARKHANGELSK MAINTAINS EXTENSIVE TIES WITH NEIGHBORS. Fall marked the resumption of close cooperation between Arkhangelsk Oblast and its partners in the Barents Euro-Arctic Region (BEAR) - Sweden, Norway, and Finland. One of the main priorities is developing the transportation infrastructure of the region. On 8 September, Finnish experts examined Russia's strategic transportation plans and proposed improvements before the plans are presented to the BEAR leadership for further discussion and financing. Among the key projects under consideration are the

reconstruction of the airports in Arkhangelsk and on the Solovetskii Islands, opening of new air routes, reconstructing the Arkhangelsk Sea Trade Port, and equipping the Northern Transportation Corridor.

Another key area of Barents cooperation is ecological security. A storage tank for radioactive liquid waste at the Zvezdochka atomic machine building enterprise in Severodvinsk was opened on 14 September. It was built with funds provided by Norway. Officials from the Norwegian government and Kvaerner Maritime Corporation attended the opening. The Norwegians also took a step toward resolving the problem of utilizing atomic submarines. Thus they are building a special train to carry spent nuclear fuel. Until now, such a train could only come to Severodvinsk once a year because it was too expensive to operate. Now it will be possible to operate such service year round.

The 15 September visit of US Secretary of Defense William Cohen to Arkhangelsk and Severodvinsk also demonstrates the Americans' interest in ecology and nuclear security. The delegation examined Zvezdochka and Sevmashpredpriyatie, where its members studied the storage and processing of liquid and solid nuclear waste. Lockheed Martin developed and installed the equipment used in this process.

Prime Minister Vladimir Putin also examined the use of submarines and the nuclear security of the region during his 17 September visit. Secretary of the government Military-Industrial Committee Aleksandr Piskunov said that the government would spend 11 times more on the use of submarines in 2000 than it did in 1999. During the visit, Arkhangelsk Governor Anatolii Yefremov and Economics Minister Andrei Shapovalyanets signed an agreement in which the ministry promised to support such nationally important projects as the Nyuksenitsa-Arkhangelsk gas pipeline and the Arkhangelsk-Vendinga railroad leading to Komi and Perm.

On 20 September in Kargopol, Finns and Russians discussed a joint project for rationally using the forests in Kargopol Raion. The two sides will work together to develop a business plan on creating a small-scale enterprise for using the unique forestry resources of the region. The project is expected to last for three years and is expected to include the creation of a social movement for preserving and renewing the region's forests.

Another sphere of cooperative activity within the BEAR framework is the resolution of problems facing families and children. Arkhangelsk Committee on the Problems of Women, Families, and Young People Chairwoman Yelena Vtorygina and Andrei Rezvyi participated in a conference on "Cooperation in Working with Young People" that took place in the Finnish city of Rovaniemi 10-13 September. The conference resulted in a grant for an Arkhangelsk conference of leaders of youth organizations. Additionally, in December, Arkhangelsk will host an international festival for students from northern countries.

Finally, on 15 September the Norwegian government adopted a decision to allow Russians to work in Norway's northern provinces for periods up to one year. Preference in hiring will go to residents of Arkhangelsk and Murmansk oblasts. - Irina Arkhangelskaya in Arkhangelsk

EU STUDIES EXPANSION EFFECTS ON KALININGRAD. On 24 September 16 ambassadors from the European Union visited Kaliningrad to determine the future status of Kaliningrad in connection with the expansion of the European Union (EU) to include

such countries as Poland and Lithuania. If those two countries become members, Kaliningrad will be completely surrounded by EU members. During a press conference, the ambassadors claimed that the EU expansion could have positive economic benefits for Kaliningrad Oblast. As a result of widening and strengthening business contacts the amount of foreign investment in Kaliningrad enterprises would increase, they claimed.

The representatives of the Kaliningrad governor's administration were not as optimistic. They warned that stricter controls on Poland's and Lithuania's borders would create difficulty in trading with these countries, thereby hurting the Kaliningrad economy.

At a conference to discuss these issues on 15 September, Wolfgang Shaaf, an expert of the German Society for Technical Cooperation, suggested that the strengthened border regime did not have to hinder cooperation with Kaliningrad. He suggested that Kaliningrad Oblast could be granted an associate membership in the EU. Shaaf said that such cooperation and the determination of a new status for Kaliningrad Oblast required negotiations between Moscow and Brussels and ultimately the signing of special agreements. He noted that Russia itself is unlikely to become a member of the EU because of its large size and "world power" status. - Yekaterina Vasileva in Kaliningrad

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Russian Regional Report
Vol. 4, No. 37, 7 October 1999

Russian Cohesion Index: -34 (down 4 this week)

Disintegration....T...L.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
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-----Russia's approach to the current Chechen crisis only further demonstrates the federal center's shortsightedness in solving its longstanding conflict with the separatist republic. By adopting a strategy that alienates the peaceful Chechen population, who are fed up with the terrorist bands and their own ineffective leaders, as well as failing to adequately provide for the refugees fleeing from the republic, Russia is essentially turning the rebel leaders into national heroes. Russia will likely be bogged down in the republic for a long time to come. (-2)

-----The rejection of one plan to build a new hotel in Nizhnii Novgorod in favor of another shows that infighting between the oblast and city administrations, rather than real market forces, determines which investment projects succeed in the city. Such political interventions tarnish the region's investment reputation and deform the local market. (-1)

+++++The gasoline crisis that caused long lines and skyrocketing prices this summer throughout Russia is calming down as gasoline prices have stabilized in many regions, albeit at higher levels. This stability will help normalize transportation in the regions. (+1)

-----The on-going battle for the Vostoktransflot shipping company in Primorskii Krai took another twist this past week as one of the company's former employees was killed by a bomb at her dacha. The scandal, which involves the Primorskii Krai regional administration, is a prime example of the rampant political battles that continue to hinder healthy economic development in this and other regions. (-1)

-----Nizhnii Novgorod is on the verge of defaulting on its Eurobond debt, having failed to make another payment last week. The oblast, which is known for its favorable economic development and investment climate, has been struggling with its debt since the August 1998 financial crisis began. The region's inability to meet its obligations could make it more difficult for other regions to receive much sought after western investment. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Ethnic Conflict and Regional Separatism

Analysis: Russia Likely To Achieve Worst Possible Outcome in Chechnya

A Russian View of Ethnic Conflict in Adygeya

Elections 1999/2000

"Yedinstvo" Fails To Exhibit Real Unity

A List: The Political Affiliations of Russia's Governors

Link to Map Showing Governor's Political Affiliations

Perm OVR Denounces New Yedinstvo Bloc

Smolensk Scholars Back Communist Lukyanov

District 158: The View From Inside

Otechestvo Chooses its Candidate

Media Issues

While Kursk Governor Controls Presses, Opposition Works from Belgorod

Center-Periphery Relations

Stavropol Seeks Power-Sharing Agreement

Patterns of Regional Development

Ulyanovsk Governor, Mayor Battle over Budget

Primorskii Krai Duma Gives in to Nazdratenko

New Voronezh Movement Backs Governor

Social Issues

Aftermath of Volgadonsk Explosion

Advertisements

The Final Volume is Out: EWI Series on Eurasian Security

EWI Handbook of Russian Regional Executives

*****Completely Updated as of 1 August 1999*****

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

GOVERNORS CALL FOR URALS DUMA FACTION. At a 28 September meeting of the Urals economic association, Ural governors expressed hope that the 43 deputies that will be elected from the single seat races in their respective regions could form their own bloc in the new State Duma. Chelyabinsk Governor Petr Sumin stated, "Let there be a Urals faction that can truly defend the interests of the Greater Urals in the State Duma." This idea was supported by the leaders of Sverdlovsk, Orenburg, Kurgan, Perm, Udmurtiya, Bashkortostan, and Komi-Permyak (*Vremya MN*, 29 September). The leaders of these regions feel that the interests of the Urals are sorely underrepresented in the State Duma and believe that a Urals faction may be the only way to ensure that their regions' particular needs are voiced. Sumin and Sverdlovsk Governor Eduard Rossel feel that such a faction could be extended to include Duma deputies from Siberia as well.

However, it is debatable how realistic establishing such a faction will be.

Although most of the members of the Urals economic association signed the infamous

"Declaration of 39 Governors," which led to the establishment of the new Yedinstvo bloc, only a few of these governors actually intend to align themselves with the bloc. If such a faction does emerge, more likely than not, it will be only symbolic in nature.

NEW RECRUITS LEAVE DAGESTAN. Tatarstan's first-year recruits were removed from active service in Dagestan last week, after the federal government went along with a Tatarstani decision to take them out of harm's way (see *EWI Russian Regional Report*, 29 September). The recruits have been moved to the city of Kamyshin in Volgograd Oblast. Of the 43, 15 had fought on the front lines, two were killed and one seriously injured. Eight of the soldiers received citations for their participation in the conflict.

Although the government of Tatarstan and many concerned citizens are happy to see the young recruits out of the conflict zone, the recruits themselves are concerned about their monetary compensation. Eight of the recruits put in requests to stay in Dagestan. For each day of service in a conflict zone a soldier receives the equivalent of three Russian minimum wages, or 830 rubles. The soldiers were assured that they would be properly compensated for their time in Dagestan, but those wishing to stay on the front lines will have to wait until they have served a full year in the army before they can return to the conflict. (*Izvestiya*, 2 October, *Vremya MN*, 1 October)

NIZHNIY NOVGOROD FEARS CAR BOMBS. Several Russian regional leaders have stepped up security measures in response to the various terrorist explosions that have shaken Russia in the past month. Moscow Mayor Yuriy Luzhkov has forced all non city residents currently in the city to reregister, leading to criticism that the policy was directed at people from the Caucasus. Likewise, Rostov Oblast recently adopted a law limiting the number of migrants from the Caucasus (see *EWI Russian Regional Report*, 29 September).

The city of Nizhnii Novgorod is also trying to ensure its safety, yet is employing a different tactic. Nizhnii Novgorod Mayor Yuriy Lebedev has banned parking automobiles closer than 50 meters to residential buildings. The ban also applies to schools, day care centers, and medical establishments. On the first day the ban was in effect, about 100 cars were towed. The first time a car is towed the owner does not pay anything, but for every time the same car is towed again, the owner must pay a fine between 10-20 rubles.

Nizhngorodskii rabochii noted that although the parking ban was a necessary security measure, complying with it is difficult since buildings in Nizhnii Novgorod are built rather close together and therefore it is a challenge to find a parking space that is 50 meters away from all residences, schools, etc. Even though people can park their cars in garages and paid lots, the city only has enough such spaces to accommodate 60,000 automobiles. There are 171,000 private cars in the city. (*Kommersant Daily*, 30 September)

ECONOMICS

COCA-COLA EXPECTED TO CUT BACK ACTIVITY IN RUSSIA. Coca-Cola's sales on the Russian market have dropped 60 percent since 1998. The decline in Russia's cola demand has greatly affected all producers operating in the country. Coca-Cola's top

competitor, Pepsi, was forced to reduce its staff earlier this year and other rival companies have just about disappeared from the market. Even though Coca-Cola reduced its prices by nearly 20 percent and began using CIS sugar to bring down production costs, the company has been unable to raise the product's demand to its previous level. As a result, the company has decided to cut back its activities in Russia.

In particular, the staff of Coca-Cola's Moscow office is being decreased by 30 percent, costing 39 administrative, financial, marketing, and public relations specialists their jobs, *Kommersant Daily* reported on 30 September. This reorganization could signal further cuts in Coca-Cola's activities, leading to staff reductions in other areas of production. *The Moscow Times* reported on 29 September that cutbacks would ultimately leave the 100-person Moscow headquarters with 25-30 employees. Mikhail Lopukhov, a senior official with the Employment Department of the Western District of Moscow, expects that Coca-Cola may lay off 30 to 40 percent of its Russian employees. Coca-Cola has not commented on the specifics of its reorganization, stating only that the company is planning to restructure its business operations. More details are expected in the next few days.

NIZHNI NOVGOROD ON VERGE OF DEFAULT AGAIN. The Nizhnii Novgorod oblast administration has once again appealed to its Eurobond creditors for a two month extension on its payments and to have its repayment program restructured (for information on Nizhnii Novgorod's payment difficulties in the past, see *EWI Russian Regional Report*, 7 April and *EWI Russian Regional Investor*, 21 April). However, this time the creditors refused the extension, leaving the region on the verge of defaulting. The administration's proposal suggesting repaying the debt over a 7 year period with a 3 year period withholding interest payments. The oblast believes that its financial situation will improve only after 3-4 years.

According to Nizhnii Novgorod Governor Ivan Sklyarov, the oblast began having problems repaying its debts after the August 1998 crisis. However, the administration is to blame for the oblast's worsening financial position since it did not properly allocate the funds it received from the Eurobonds. The full \$100 million should have been used to finance real projects at 11.5 percent interest rates. In total 26 projects were established, but only \$50 million was directed to the "real sector." The remaining funds were spent paying off wage arrears and GKO debts. (*Izvestiya*, 29 September)

GASOLINE PRICES STABILIZE. The cost of gasoline appears to have stabilized in the Russian market after several months of tremendous price hikes and shortages. According to the Ministry of Internal Affairs, the cost of gasoline over the last week of September increased by only 0.87 percent. In August the cost was rising 3 percent on a weekly basis, dropping to 2 percent in the beginning of September. Regions that have been the most affected by the rise in gasoline prices are Kalmykiya and Kemerovo, where prices went up 10 percent per week, Tatarstan, which had 9 percent increases, and Kaluga, with 7.5 percent price jumps. These regions were among the first to experience lower prices in the past week. (*Vremya MN*, 30 September)

AVTOVAZ LOWERS PRICES, INCREASES EXPORTS. AvtoVAZ (Togliatti, Samara Oblast), Russia's largest car manufacturer, recently announced that it was

increasing discounts to dealers and lowering prices on several of its automobile models, *Kommersant Daily* reported on 30 September. AvtoVAZ has accumulated nearly 25,000 automobiles in stock and demand for the cars is continuing to fall. To try and rectify this situation the cost of five models, VAZ-21093, 21099, 2110, 21103, and 21111, will be lowered 2 percent. The company will also issue some new discounts. Beginning on 15 October, the discount granted to regional dealers will increase from 3 to 7 percent, and to Togliatti dealers from 4 to 9 percent. These measures should cause the retail price of AvtoVAZ vehicles to drop 2.4 percent.

Additionally, AvtoVAZ is looking to sell its automobiles to consumers in other countries. The factory recently signed an agreement with South Africa's Combined Motor Holdings to supply automobiles to South Africa. Head of Combined Motor Holdings Molduin Zimmerman plans to sell 150 Niva automobiles per month at the beginning of the project, which will go into effect this month. They will be sold by 10 dealers throughout the country. Next year the number of dealers should increase to 25. This cooperation could be expanded to sell AvtoVAZ cars to South Africa's neighbors, Botswana, Lesotho, Namibia, Mozambique, and Zimbabwe. According to Zimmerman the Niva model is well suited to the roads and climate conditions of southern Africa and will find many buyers in the region. (*Kommersant Daily*, 29,30 September)

CZECH FIRMS EXPAND INVESTMENT IN UDMURTIYA. Czech's Skoda, which is currently forming a joint venture with Udmurtiya's Izhmash, is planning to establish a dealer network in Russia. Developing the sales network will coincide with the company's Izhmash effort. (*Vremya MN*, 1 October)

Another Czech firm, Defend Lock, is also spreading its work to Izhevsk. It recently signed an agreement with the Reduktor factor to create the joint venture, Automobile Security System (SBA). The Czech company will provide 100 percent of the charter capital and the new enterprise will establish a production line of automobile security systems at Reduktor's facilities. The first system, targeted for the Russian market, should be ready for sale by the end of this year. (*Vremya MN*, 4 October)

TATARSTAN AND KOMI COOPERATE IN OIL DEVELOPMENT. The governments of the republics of Tatarstan and Komi have signed a protocol agreement on cooperation, in particular regarding the exploitation of oil deposits in Komi and the exploration of new deposits in the Mezen and Timan-Pechora territories. Tatarstan will suggest participants for the geological work over the next two months. The projects will be financed by investments from Tatarstan's oil companies. (*Vremya MN*, 4 October)

ETHNIC CONFLICT AND REGIONAL SEPARATISM

ANALYSIS: RUSSIA LIKELY TO ACHIEVE WORST POSSIBLE OUTCOME IN CHECHNYA

by Kharon Deniev

STAVROPOL - The current fighting between Russia and Chechnya was easily predictable at the end of 1996 when Russia was forced to sign the humiliating Khasavyurt

accord. Russia only needed time to regroup its forces in order to seek a decisive resolution of the Chechen problem. It had to do so by 2001, since the accord postponed any decision on whether Chechnya would remain in the Russian Federation until then.

Moscow's actions toward Chechnya fully confirm this analysis: the Moscow authorities have not carried out one of the more than 50 agreements signed during the negotiating process. Moscow explained its failure to carry out these agreements by citing the lack of funds, Grozny's "unconstructive position," arguments that Chechen President Aslan Maskhadov does not control the situation in the republic, and reports that money from Russia intended to rebuild Chechnya was instead falling into the hands of criminal groups.

As a result, Moscow ended up with a weak official government in Chechnya that could not contain the illegal activities of the numerous criminal groups in the region. Thus, by the time these groups invaded Dagestan, they were significantly better armed than Grozny's official troops. The situation in Chechnya was so bad that Maskhadov had effectively lost control of the public square 300 meters from his palace since well known criminal groups often gathered there to settle scores, often ending in shoot outs. I witnessed such events at the end of June and early July this year, as armed fighters shot at each other right in front of the presidential palace or in full view of the students at Grozny university. No one seem concerned about hitting innocent bystanders and several people walking by were wounded. Witnesses reported that in one case, the gunmen grabbed a student and used him as a shield to protect themselves. What offended people most of all was that Maskhadov's government did nothing to punish these people and simply ignored them.

The extreme political, social, and criminal situation in the republic makes life extraordinarily difficult for residents. The vast majority of people have lost confidence in Maskhadov's government and many believe that the only solution is a return to the previous period when the leadership of the republic was largely ethnic Russian. Since the criminals were largely afraid of the Russians, the latter were able to impose a relative sense of order and harmony. Many residents of Chechnya point out that under the Russians, the population had secured at least a minimal standard of living and no Chechen had to go begging, a stark contrast to the situation under the rule of former Chechen leader Dzhokhar Dudaev and Maskhadov. Residents of Chechnya have come to view the current Chechen authorities as poorly educated, uncultured place holders, who would be replaced when the Russian authorities returned to impose order. The population saw this outcome as the most plausible solution to the region's problems.

Against this background, some of the Chechen warlords launched their invasion into Dagestan, a move that met with disapproval throughout the region in general and by the majority of the Chechen people. The Russian invasion into Chechnya followed. Before this, bombs went off in several Russian apartment houses causing hundreds of deaths and driving Russian public opinion to support the bombing of Chechnya until the death of the last Wahhabi. In this frenzy, however, the Russians forgot that there are no more Wahhabis in Chechnya than in the rest of the country.

But Russia went ahead with the military campaign because it is unlikely to have another convenient opportunity to resolve several political problems. Thus, by seeking to resolve the Chechen crisis, Russia hopes to put an end to armed separatism which will undoubtedly help strengthen Russia's position as a great power on the world stage.

Secondly, resolving the Chechen problem would effectively reduce any chance that the Communists would return to power. Third, imposing order on Chechnya would reshape the Russian political landscape, clearing the way for Prime Minister Vladimir Putin to claim the presidency. For the Russian elite, such an outcome would be the best of the available alternatives because a Putin presidency would lead to only a minimal redistribution of property and therefore minimal political and social upheaval.

However, resolving the Chechen crisis depends on the actions of the federal forces during the first days after their intervention into Chechnya. If the federal forces succeed in finding a common language with the pro-Russian majority of the Chechen population, then the chances for success are significantly greater. On the other hand, if the Russian forces bomb villages or shell them with artillery because they suspect the presence of a few dozens rebels, they could cause numerous casualties among the peaceful population, and find themselves trapped in a Chechen quagmire that could stretch for years. If Russia again is bogged down in Chechnya, Putin would lose all hope of winning the presidency and would probably even be dismissed as prime minister. Equally untenable for Russia would be allowing a humanitarian catastrophe to occur in the region. If Russia could admit and resettle all refugees fleeing the conflict, it would go halfway to guaranteeing its success in Chechnya.

Given the current situation, it is possible to define three potential outcomes:

1. The most moderate outcome. With a minimum of destruction and only a small number of casualties among the soldiers and peaceful population, Russia restores its power in several of the raions within Chechnya. It would then establish order in the regions, giving people the opportunity to live and work in relative security, while sending their children to school and having access to adequate health care. Over time, Russia would gradually restore order over the rest of the republic.
2. The most likely outcome. Despite widespread losses among the population and the military, the federal authorities force the Chechen population to capitulate to Moscow and accept Russian rule. In this scenario, the majority of villages are destroyed, and the local population flees its current residences in panic. This outcome is convenient for those in Moscow who want to report a quick victory. However, the long-term consequences are bleak. Fighters who recently made their living kidnapping people but then stood against the Russian invaders would become national heroes for the Chechen population and Russia could do little to change this perception. For the Russian military leadership seeking a quick victory, this scenario is the most alluring, but for Russia as a whole it is the least desirable.
3. A third possibility. During the heat of the battle, the Russians decide that they need a quick victory and therefore declare once again that Maskhadov is the legitimate leader of Chechnya. Russia then concludes a compromise agreement with him. This outcome is the most desirable for the political elite in Grozny and for some circles in Russia. However, it depends on the further evolution of events.

A RUSSIAN VIEW OF ETHNIC CONFLICT IN ADYGEYA. A major court battle is brewing over the decision of the Adeguya legislature to remove member Nina

Konovalova, the chairwoman of the Adygeya Union of Slavs, from its ranks. At the end of September, she filed an appeal with the Russian Supreme Court. A court in the city of Maikop, the capital of Adygeya, initially sided with Konovalova, but the Adygeya republican Supreme Court overturned this decision. The case is significant beyond the particular individual involved because it deals with the establishment of limits on citizens' political activity.

According to the Adygeya constitution, ethnic parity must be observed in electing the republican parliament. Thus even though the population is comprised of 22 percent ethnic Adygeyans and 78 percent non-Adygeyans, the constitution requires that half the parliament be made up of Adygeyans and half non-Adygeyans. Thus the vote of Adygeyans to the State Council - Khase, the republican legislature, is worth about three times more than the vote of non-Adygeyans.

Besides the obvious limits on participation codified in the law, there are less obvious limits as well. They are defined by the peculiarities of the regional political and general culture. Adygeya's titular elite used ethnic colorings in its political rhetoric during the era of Perestroika and afterwards to win the confidence of its ethnic group. Therefore, any criticism of the political practices of the republican leadership is perceived by the Adygeyan people as an attack on the ethnic, social, and political status of their group. Thus, for example, the harsh criticism by the Adygeya Union of Slavs of specific clauses in the republican constitution and legislation which violate federal norms is seen by ethnic Adygeyans as stirring up interethnic differences. Therefore, since most people do not want to be accused of provoking interethnic conflict, they do not become involved in politics. The local humanities elite thus also avoids engaging in any independent political analysis. Such limits on political activity can be described as political alienation.

Such alienation is neither total nor inevitable. Some members of the opposition have gone very far in politics. In the past, such people were simply criticized in the supervised republican press. Now, however, the Adygeyan elite is resorting to more concrete forms of political punishment.

On 20 May the republican legislature decided to deprive Konovalova of her membership in the body. Her full-time job was working as a member of the legislature, where she served as the deputy chairwoman of the Committee on Local Government and Ties with State Agencies. The result of the decision was to deprive Konovalova not only of her position, but also of her salary. Thirty of the 39 deputies present voted for the motion. The decision to deprive Konovalova of her mandate charged that "in the guise of defending the interests of the Slavic peoples" she "systematically engaged in provocative and destabilizing activity." The body also claimed that she was actively working at the republican and national level to give the republic the reputation of violating human and civil rights on the basis of ethnicity. The legislators charged that she had insulted Adygeya and had called for unconstitutional actions. Finally the body charged that such actions were not compatible with her status as a legislator.

Obviously only the court can try and convict Konovalova of such crimes as slander, public defamation, or stirring up ethnic conflict. Here, however, the trial and punishment were conducted outside the court. Thus, the action to remove Konovalova from the legislature itself can only be described as an act of political punishment. Clearly the people who carried out this move seek to set a precedent as a way of preventing similar acts of disobedience in the future. - Oleg Tsvetkov in Maikop

ELECTIONS 1999/2000

"YEDINSTVO" FAILS TO EXHIBIT REAL UNITY. The newly formed electoral bloc Yedinstvo held its founding congress on 3 October. The bloc hopes to attract the regional vote through an unusual route. Rather than focus on building a federal party list of prominent and popular regional politicians, Yedinstvo is essentially removing itself from this contest by issuing a three-person federal list. Minister of Civil Defense, Emergency Situations, and Natural Disasters Sergei Shoigu, who has taken a temporary leave from his post to head the new bloc, holds the first spot on the bloc's party list. The second spot will go to Olympic wrestler Aleksandr Karelin and the third to police Major General Aleksandr Gurov. Rather than include other Duma hopefuls on the federal list, Yedinstvo will focus its energies on nominating candidates in single-member districts.

In addition to preparing its federal and single mandate lists, the founding congress also established a coordinating council for the bloc. In addition to the three candidates on the federal list, the council is joined by Chukotka Governor Aleksandr Nazarov, Tver Governor Vladimir Platov, Omsk Governor Leonid Polezhaev, Kursk Governor Aleksandr Rutskoi, Primorskii Krai Governor Yevgenii Nazdratenko, and Kalmykiya President Kirsan Ilyumzhinov as well as several other prominent public figures such as publicist Otto Latsis, Leonid Yakubovich from the *Pole chudes* television program, Spartak trainer Oleg Romantsev, and former Defense Minister Igor Rodionov.

The general character of the bloc shows that the Kremlin set up Yedinstvo to steal support away from the formidable Otechestvo-Vsya Rossiya bloc, of which Yeltsin foe Moscow Mayor Yurii Luzhkov is one of the most prominent members. Although it is still not entirely clear which regional executives have offered their support to the new bloc, not a single thread ties together the eclectic array of leaders who are ironically calling themselves Yedinstvo (unity). Four of the bloc's signatories appear to have defected from the Otechestvo-Vsya Rossiya alliance. Rostov Governor Vladimir Chub and Chelyabinsk Governor Petr Sumin were signatories to both the Golos Rossii and Vsya Rossiya movements prior to signing on to Yedinstvo, suggesting that their primary interest is finding the potentially strongest bloc to align themselves with. Rutskoi was one of Yeltsin's harshest critics who defended the White House in 1993, and Kostroma Governor Viktor Shershunov also openly opposed the president at that time.

Although this loyalty-swapping alone is enough to question the motives and strength of the new bloc, the change of alliances exhibited by Nazdratenko and Ilyumzhinov, who are now two of the bloc's most prominent members, are particularly curious. Nazdratenko has had a difficult relationship with the Kremlin, and Yeltsin even tried to have him removed from power in 1997 (see *EWI Russian Regional Report*, 12 June 1997). Towards the end of 1998 and through 1999, however, the governor's relationship with the center has improved considerably and Nazdratenko has been successful at getting the Kremlin to support moves that essentially served to help him consolidate his power over Primorskii Krai. However, when former Prime Minister Yevgenii Primakov joined the Otechestvo-Vsya Rossiya bloc, he personally invited Nazdratenko to join their ranks, which the governor readily accepted (*EWI Russian Regional Report*, 26 August). Yet, infighting within the alliance kept Nazdratenko off the bloc's party list in favor of his main regional opponent, Primorskii Krai Duma

Speaker and longtime Luzhkov loyalist, Sergei Dudnik. Thus, Nazdratenko is back on Yeltsin's team.

Although Ilyumzhinov never officially joined Luzhkov's Otechestvo, he is a longtime supporter of the Moscow mayor, who helped finance the construction of his pet project, Chess City. However, Ilyumzhinov was placed in an awkward position recently when Luzhkov's wife Yelena Baturina announced that she would run for the State Duma from the same district in Kalmykiya as former Deputy Prime Minister Gennadii Kulik, whom Ilyumzhinov already promised to support (*EWI Russian Regional Report*, 23 September). Furthermore, less than a year ago Ilyumzhinov directly challenged Yeltsin's authority by threatening to secede from the Russian Federation (*EWI Russian Regional Report*, 24 November 1998). Nevertheless, Ilyumzhinov's spine has always been relatively weak, as the republican president tends to follow whatever direction is given to him most forcefully.

The only unifying quality the members of Yedinstvo display is some desire to curry favor with the Kremlin, either economically or politically. Several of the signatories represent heavily subsidized regions (Buryatiya, Kostroma), and others come from regions that have either suffered as a result of political discord with the center (Sakha) or are in need of the center's influence to address difficult local issues (Sakhalin, Primorskii Krai). In this respect, Yedinstvo is similar in character to the Our Home is Russia (NDR) of 1995-1996, which boasted many governors who saw NDR membership as a way of gaining lobbying access to the federal government. In fact, securing NDR's support was exactly what Yedinstvo had hoped would add some legitimacy to its hodgepodge foundation.

However, NDR, the Kremlin's former party of power, has decided against a merger with the new bloc. NDR members had put forth 13 conditions with which Yedinstvo must be willing to comply for a merger to take place. The primary condition was that Yedinstvo adopt NDR's program and support its list of single mandate candidates. Additionally, NDR wanted its acronym in the name of a joint bloc and requested that leader of the NDR State Duma faction Vladimir Ryzhkov hold the second spot on the federal party list (*Nezavisimaya Gazeta*, 5 October, *Kommersant Daily*, 1 October). Yedinstvo responded to these conditions by stating that candidates from the regions rather than the Moscow political elite should make up the bloc's representation in the Duma, and that the bloc was categorically opposed to any ideology. According to *Nezavisimaya Gazeta* on 2 October, Nazdratenko stated that "the ideology of Yedinstvo is the absence of any sort of ideology." This is not surprising since clearly the bloc would be hard pressed to find a unifying ideology given the lack of cohesion in the political colorings of the group's members. Ruskoi further stated that Yedinstvo had no intention of playing NDR's political games. During a televised press conference on 6 October he stated, "NDR is a party of power. They were present in the legislative and executive branches. I have no desire to unite with them." According to the governors in Yedinstvo, their primary goal is to achieve a less politicized State Duma.

For their part, NDR spokesmen denounced Yedinstvo. Ryzhkov stated that Yedinstvo and NDR were completely different organizations: "We are a party of conviction, and they are regional lobbyists," (*Nezavisimaya Gazeta*, 2 October). NDR leader Viktor Chernomyrdin was particularly concerned about the fact that Yedinstvo lacks an ideology and stated that NDR could not go along with such an approach

(*Nezavisimaya Gazeta*, 5 October). He has also expressed concern that Boris Berezovskii plays a large role in the bloc, something Yedinstvo members deny. Both Chernomyrdin and Ryzhkov feel that NDR will be successful in the upcoming elections despite the appearance of Yedinstvo. Ryzhkov stated that the party will bring in the vote since it has several governors among its ranks and that 90 percent of the candidates on NDR's list are representatives from the regions. Chernomyrdin and Ryzhkov also made a point of stating that NDR does cooperate with all organizations representing common goals and this includes Yedinstvo.

Yedinstvo appears to have the support of slightly more regional executives than does Otechestvo-Vsya Rossiya (see list of governors' political affiliations in this issue). However, this support does not automatically translate to votes at the poll. By calling on its dependent regions for support, the Kremlin has been able to create the illusion of a unified movement that spreads across the country from Kaliningrad to the Koryak Autonomous Okrug. Yedinstvo clearly dominates the Far East and Far North, earning the support of many regional executives who had not formed alliances with any of the other movements. Likewise, a geographical representation of Yedinstvo's following suggests that the group holds the stronghold of the central and northwest regions as well as a firm position in the Caucasus.

Although the Otechestvo-Vsya Rossiya bloc may appear weak in comparison to Yedinstvo in a visual comparison, this bloc is much more firmly established. Otechestvo has spent almost a year building itself up and establishing regional branches of the party throughout the regions. Vsya Rossiya represents some of the most powerful and influential regional executives. Furthermore, the bloc is headed by former Prime Minister Yevgenii Primakov, one of the most revered of Russian politicians, and one whose popularity soared after being dismissed by Yeltsin. Yedinstvo will have to do a lot more than gather governors' signatures to win on election day. It will have to campaign hard over the next several weeks to prove itself to the disgruntled electorate as a viable alternative to Otechestvo-Vsya Rossiya, the Communists, and NDR. - Danielle Lussier

A LIST: THE POLITICAL AFFILIATIONS OF RUSSIA'S GOVERNORS

For a geographical representation of the political affiliations of Russia's regional executives, please visit:

<http://www.iewe.org/rrrabout.nsf/pages/governors+party+affiliation>

The following is a list of the political affiliations of Russia's regional executives. In compiling this list we encountered a large amount of conflicting data and thus apologize if some affiliations are not entirely accurate. In particular this is the case with Yedinstvo. Apparently many governors signed the documents announcing the formation of this bloc unknowingly. Additionally several members of Our Home is Russia signed the bloc's founding statement when a union between the two groups appeared forthcoming. The following list of Yedinstvo is considerably different from that published on 23 September.

Yedinstvo

Adygeya President Aslan Dzharimov (former member of Vsyā Rossiya)
Arkhangelsk Governor Anatolii Yefremov (former member of Otechestvo)
Astrakhan Governor Anatolii Guzhvin (member of Our Home is Russia)
Buryatiya President Leonid Potapov
Chelyabinsk Governor Petr Sumin (former member of Golos Rossii and Vsyā Rossiya)
Chukotka Governor Aleksandr Nazarov (former member of Golos Rossii)
Evenk Governor Aleksandr Bokovikov
Ivanovo Governor Vladislav Tikhomirov
Jewish Autonomous Oblast Governor Nikolai Volkov (member of Our Home is Russia)
Kaliningrad Governor Leonid Gorbenko (former member of Golos Rossii)
Kalmykiya President Kirsan Ilyumzhinov
Kamchatka Governor Vladimir Biryukov
Koryak Governor Valentina Bronevich
Kostroma Governor Viktor Shershunov
Kursk Governor Aleksandr Rutskoii
Leningrad Governor Valerii Serdyukov
Magadan Governor Valentin Tsvetkov (former member of Golos Rossii)
Nenets Governor Vladimir Butov
Omsk Governor Leonid Polezhaev (former member of Vsyā Rossiya)
Orenburg Governor Vladimir Yelagin (member of Our Home is Russia)
Primorskii Krai Governor Yevgenii Nazdratenko
Rostov Governor Vladimir Chub (former member of Golos Rossii and Vsyā Rossiya)
Sakha President Mikhail Nikolaev
Sakhalin Governor Igor Farkhutdinov
Smolensk Governor Aleksandr Prokhorov
Tver Governor Vladimir Platov (former member of Golos Rossii)
Tomsk Governor Viktor Kress (member of Our Home is Russia)
Tyumen Governor Leonid Roketskii (member of Our Home is Russia)

Otechestvo

Kareliya Prime Minister Sergei Katanandov
Komi President Yurii Spiridonov
Mordoviya President Nikolai Merkushin
Moscow Mayor Yurii Luzhkov
Moscow Oblast Governor Anatolii Tyazhlov
Murmansk Governor Yurii Yevdokimov
Nizhnii Novgorod Governor Ivan Sklyarov
Novosibirsk Governor Vitalii Mukha
Yaroslavl Governor Anatolii Lisitsyn

Vsyā Rossiya

Bashkortostan President Murtaza Rakhimov
Belgorod Governor Yevgenii Savchenko

Chuvashiya President Nikolai Fedorov
Ingushetiya President Ruslan Aushev
Irkutsk Governor Boris Govorin
Khabarovsk Governor Viktor Ishaev
Khanty-Mansi Governor Aleksandr Filipenko
North Osetiya President Aleksandr Dzasokhov
Penza Governor Vasilii Bochkarev
Perm Governor Gennadi Igumnov
St. Petersburg Governor Vladimir Yakovlev
Tatarstan President Mintimer Shaimiev

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Marii El President Vyacheslav Kislitsyn
Samara Governor Konstantin Titov
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Amur Governor Anatolii Belonogov
Bryansk Governor Yurii Lodkin
Krasnodar Governor Nikolai Kondratenko
Stavropol Governor Aleksandr Chernogorov
Tambov Governor Aleksandr Ryabov
Tula Governor Vasilii Starodubtsev
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Krasnoyarsk Governor Aleksandr Lebed
Khakasiya President Aleksei Lebed

Zhirinovskiy

Pskov Governor Yevgenii Mikhailov

Regional Executives Who Are Unaffiliated With Major Blocs

Orel Governor Yegor Stroev

Kemerovo Governor Aman Tuleev founded a leftist party, Vozrozhdenie i edinstvo. He was going to join the now defunct Za Pobedu bloc.

Sverdlovsk Governor Eduard Rossel has not announced affiliation with any national level movement and has supported his own Transformation of the Urals party in the past.

Ulyanovsk Governor Yurii Goryachev has announced that he will not join any political parties.

Regional Executives Whose Affiliations We Do Not Know

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Chita Governor Ravil Geniatulin

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*If you are a specialist in any of these regions and know the proper affiliation of the regional executive, please write to us (dlussier@iewe.org)!

PERM OVR DENOUNCES NEW YEDINSTVO BLOC. The Perm branch of Vsyaya Rossiya held a second conference last week at which it reelected Perm Oblast Legislative Assembly Speaker Yurii Medvedev as its chairman. His speech at the meeting was sharply critical of the Kremlin. "We can't speak only of the 'brilliant future' given everything that is going on in Russia now," he said. "Terrorism, the problems of the Caucasus, rising prices, embezzlement of public funds and corruption... The party of power and the party of the Kremlin are causing Russia and all Russians considerable harm. We need to talk about this openly and honestly. The Kremlin wants to have a manageable State Duma, especially before the presidential elections. They are already working in this direction by creating the Yedinstvo bloc, which is grouping together the political or economically dependent governors. [This bloc is] a twin of Vsyaya Rossiya, but under the control of the presidential administration. We understand that the Kremlin bloc will not have problems

with financing, 'with Xerox boxes full of cash,' or with media support ..." Here Medvedev referred to the Xerox box containing more than \$500,000 cash that some of Yel'tin's campaign team were caught taking out of the White House during the 1996 presidential campaign.

With these words the new regional party is standing in clear opposition to the Kremlin. Otechestvo-Vsya Rossiya includes a significant number of Perm Oblast mayors, legislators, and influential enterprise directors. If they start to work together, it could seriously change the balance of forces far beyond the State Duma elections.

As far as the elections are concerned, Medvedev's goal is to win 30 percent of the vote in the oblast party list elections. In the future, Medvedev said, "we could become a centrist party which, using the faith and confidence of a majority of Russians, could be the most influential and significant [political force] in Russian social-political life." - Andrei Suslov in Perm

SMOLENSK SCHOLARS BACK COMMUNIST LUKYANOV. On 4 October the presidium of the Smolensk Association of Scholars nominated State Duma Deputy Anatolii Lukyanov, the former chairman of the USSR Supreme Soviet, to run for the Duma again from the single-member district in Smolensk Oblast. Lukyanov accepted the offer and laid out his political position in a short speech. Lukyanov is a representative of the moderate wing of the Communist Party of the Russian Federation.

He said that currently in the State Duma there is a certain amount of unity among representatives of the majority of the factions on a series of key political and economic issues important for the future development of Russia. This growing consensus covers the development of science, education, military construction, space issues, the Chechen crisis, and the battle with terrorism. He supported the policies of Prime Minister Vladimir Putin in resolving these issues. Lukyanov said it was impossible for Russia now to return to the previous model of socialism no matter how much the orthodox leftists want this. Lukyanov based Russia's future development on the models of Scandinavian and Chinese socialism. He believes that the Chinese experience is the most crucial for Russia. He said that it was important to take the best of Russian experience, while combining it with the best of Scandinavian, Chinese, and western experience adapted to Russian conditions.

On issues of foreign policy, Lukyanov said that he supports closer ties with India and China. The center of civilization, which will determine the face of the twenty-first century, will be in the Asian and Pacific region, he believes, and Russia should do everything possible not to end up on the periphery of civilization in the next century. Closer ties with India and China are important so that the concept of a multi-polar world will be a reality in the next century.

Within the Communist Party of the Russian Federation, Lukyanov said that there is a constructive democratic atmosphere. All decisions are made collegially, after an extensive discussion. He said that there are often arguments and stormy discussions. He ruled out the return of authoritarian leadership in the party. He also claimed that there has been a radical renewal of party ranks, allowing an influx of real humanists and technocrats. - Arsentii Ledovskoi in Smolensk

DISTRICT 158: THE VIEW FROM THE INSIDE

The following article continues our series describing the State Duma race from the point of view of one of the campaigns in Saratov's District 158. For earlier reports, see *EWI Russian Regional Report* for 11, 19, and 26 August and 2 September.

OTECHESTVO CHOOSES ITS CANDIDATE. The Otechestvo-Vsya Rossia bloc chose its candidates in the single member districts at its 25 September second congress in Moscow. In district 158, the party unexpectedly nominated Oblast Duma Member Vyacheslav Maltsev instead of Vladimir Davydov, the president of the Saratov Oblast Chamber of Trade and Industry. Davydov had been campaigning with the slogan "Vladimir Davydov - A Tasty Man" and pictures of various cakes and pastries. However, when the chairman of the oblast branch of Otechestvo, Nikolai Semenets, conducted a poll about potential candidates, he discovered that Maltsev was more popular than Davydov. Vyacheslav Volodin, the former Saratov Deputy Governor and current deputy head of the Otechestvo-Vsya Rossiya campaign staff, who has close ties to Maltsev from the time he was working in Saratov presented him for the congress's approval.

Choosing Maltsev over Davydov makes practical sense. However, the candidate has one liability in that Governor Dmitrii Ayatskov does not like him since Maltsev has made several critical speeches about him. Also there are rumors in the oblast that Otechestvo and the Communist Party of the Russian Federation will work together to elect Volodin as the next Saratov governor, a situation that can hardly dispose Ayatskov well toward Otechestvo. Thus, local journalists believe that Ayatskov is behind an anti-Luzhkov campaign that has started in the local press. - Yuliya Yeliseeva in Saratov

MEDIA ISSUES

WHILE KURSK GOVERNOR CONTROLS PRESSES, OPPOSITION WORKS FROM BELGOROD. Many believe that freedom of the press is the main positive result of reform in Russia. And, in fact, there are more newspapers and magazines, although their print runs have shrunk. With the election season approaching, publishers and editors are looking forward to a surge of orders for printed election materials and increased purchases of advertising space in newspapers. Accordingly, it is a good time to survey the media scene in Kursk Oblast.

Governor Aleksandr Rutskoi controls the few printing houses in Kursk Oblast since the oblast administration owns most of their shares. They will only publish material that does not contradict the key platform points of the governor. Two printing presses are located in Kursk and another three are in the raion capitals of the oblast. These presses are technologically backward and can only dream about completely computerizing the printing process or buying offset color presses.

There are about 15 small private publishing houses which are able to produce high-quality printed material. However, these houses have limited capacity which will likely be fully employed by mid-December, in the weeks before the elections.

With newspapers, the situation is similar. The Kursk Oblast government is the co-founder of two oblast newspapers, *Kurskaya pravda* (print run 24,000) and *Kursk* (7,500). By appointing the editors, the administration has a strong voice in determining what is published.

This week the editors of *Kurskaya pravda* sought to end Rutskoi's direct control over the paper. After editor-in-chief Nikolai Bezrukov resigned, the paper's employees (who, along with the administration, are also co-founders) voted against the governor's choice for a new editor, Gennadii Borzenkov, the chairman of the oblast Committee on Information and Press Affairs. Instead the journalists elected as their new editor Yevgenii Kotyaev, the correspondent of *Delovoi mir* in Kursk Oblast, and a well known writer for *Sovetskaya Rossiya* until 1993. The governor still has to confirm this appointment and it is unlikely that he will accept the unpredictable Kotyaev as the editor (see *EWI Russian Regional Report*, 23 September). Rutskoi would naturally prefer to keep the paper under his direct control.

Other newspapers express the interests of other groups. Usually, the governor forbids their publication in Kursk Oblast and they are printed in neighboring Belgorod Oblast. The paper *Golos naroda* (3,000) is financed by the Communist Party of the Russian Federation obkom. *Khoroshie novosti* (20,000) is owned by Yurii Vorotnikov, who is currently sitting in jail for failing to pay his taxes. Nevertheless, the paper has continued to pursue a strongly anti-Rutskoi line. This publication is directly associated with the local version of *Argumenti i fakti* and *Komsomolskaya pravda - Voronezh*. *Kurskii vestnik* (11,000) belongs to the Rutskoi's main competitor in the upcoming gubernatorial elections, Aleksandr Degryarev, and naturally expresses the interests of his bloc, Kurskoe edinstvo. The newspaper *Drug dlya druga* (30,000) belongs to the powerful local entrepreneur and Oblast Duma member Nikolai Greshilov, who backs a pragmatic position.

Thus, the newspapers on the eve of the State Duma elections are essentially evenly divided between the pro- and anti-Rutskoi camps. - Sergei Sarychev in Kursk

CENTER-PERIPHERY RELATIONS

STAVROPOL SEEKS POWER-SHARING AGREEMENT. Stavropol Krai Governor Aleksandr Chernogorov proposed signing a power-sharing agreement with the federal government at a meeting with representatives of the federal executive branch agencies in the krai. Now the president's representative in Stavropol has joined in the process of preparing the necessary documents and winning support for this proposal. Until now, many believed that the krai would not sign an agreement because it lacked the desire or was unable to carry out such work. Also, given the enormous amount of change in the Russian cabinet, it was also not clear that the federal authorities were interested in doing what was necessary to prepare the agreement. Now, after the adoption in June of a law regulating center-periphery relations (see *EWI Russian Regional Report*, 1 July), the draft treaty must be brought into accord with the requirements of the new law.

Judging by the course of the discussion, none of the representatives of federal agencies working in Stavropol doubt that there is an increasing need for the krai to sign such an agreement. Above all, the treaty would take into account the special relationship between Stavropol and the federal government. It would also better define its relations with its neighbors, particularly the North Caucasus republics.

Many in the krai believe that these treaties have often had negative consequences, particularly when the region signing them views the agreement as an international accord. Nevertheless, the Stavropol authorities believe that the recent violence in the Caucasus

makes it necessary to sign such an agreement. They believe the treaty will make it easier for Stavropol to defend its interests. Both Krasnodar Krai and Rostov Oblast, the other two ethnic Russian regions in the North Caucasus, have already signed power-sharing agreements.

In the treaty, the krai wants to stress its unique situation, its significance for the interests of Russia, and the importance of its cooperation with the federal government to address numerous problems. These problems include regulation of the region's migratory flows and numerous questions concerning the Defense Ministry and the deployment of Russian troops in the area. Stavropol plays a special economic role as well since it is the main supplier of energy and food for the North Caucasus and the Commonwealth of Independent States in general. - Olga Morozova in Pyatigorsk

PATTERNS OF REGIONAL DEVELOPMENT

ULYANOVSK GOVERNOR, MAYOR BATTLE OVER BUDGET. Conflict between governors and mayors in Russia has become so typical that it is expected that the two will fight each other. In 1996, after Vitalii Marusin was elected Ulyanovsk mayor, a similar battle broke out in Ulyanovsk Oblast. While the conflict did not reach the same peak as in Primorskii Krai, during the last three years, the oblast and city authorities have criticized each other through the media about the size of the city budget. In this fight, the mayor, without much success, tried to play the role of the opposition. That was the state of affairs up until the beginning of September.

Then the governor's team struck a powerful blow at the mayor. On 7 September, Governor Yuri Goryachev froze the Ulyanovsk's mayor's bank account. This move paralyzed all financial payments, including payments for medicines, food for schools and hospitals, and salaries for public sector employees.

There was a long build-up to the governor's action. In 1997-98, the city periodically borrowed interest-free money from the oblast to pay the salaries of public sector employees. In total the sum added up to 100 million rubles, and the city still owes the oblast 42.5 million rubles. The other part of the debt was taken care of through mutual debt canceling. When the city authorities refused to pay off the loan in June, the oblast took the city to court. However, over the summer, the authorities were able to find a compromise according to which the city agreed to pay off the debt in parts. Unfortunately, by the end of the summer, the oblast had not received any payments and the governor responded with harsh measures. On 7 September, he froze the city's bank account and all money in the city budget was transferred to the oblast, starting a budget war.

On 13 September, the mayor sent an unprecedented letter to the governor explaining how ruinous his decision was. At the same time Ulyanovsk's doctors and teachers shocked the governor by sending him an open letter, which sharply criticized his actions. That evening the governor, who always claimed to be acting in the interests of the people, unblocked the mayor's account and as a result the two officials reached a new compromise.

Of course, this episode does not bring the war between the governor and mayor to an end. However, this time it came into public view because of the clearly destructive character of the governor's actions. - Arbakhan Magomedov in Ulyanovsk

PRIMORSKII KRAI DUMA GIVES IN TO NAZDRATENKO. On 29 September the Primorskii Krai Duma finally passed a law on the region's gubernatorial election in a close vote of 20 to 18. After several months of heated debate, gubernatorial vetoes, and wavering deputies, Primorskii Krai Governor Yevgenii Nazdratenko finally succeeded in having his version of the law adopted (for more details of the debate see *EWI Russian Regional Report*, 23 September and 5 August). The elections will be conducted as the governor wished, in one round (assuming the winning candidate has more than 35 percent of the vote) and without a monetary deposit from the candidates.

According to the electoral law only people who have collected signatures from at least one percent of the voting population can register as candidates. Whoever wins the largest number of votes above a necessary 35 percent minimum will become governor. The 35 percent requirement was the only point Nazdratenko's opposition was able to score in the political bargaining about the law. If no candidate wins 35 percent, a second round will be required. Voter turnout must be at least 25 percent for the elections to be deemed valid. The election will be held on 19 December to coincide with the State Duma elections, which is also quite favorable for Nazdratenko. The governor's opposition had hoped to hold the elections at a later date. - Yevgenii Popravko in Vladivostok

NEW VORONEZH MOVEMENT BACKS GOVERNOR. In the beginning of July a new regional movement called the "Union for the Revival of the Economy" was founded in Voronezh bringing together most of Voronezh's political and business elite. The founder of the Union is head of Sberbank's Voronezh branch Aleksandr Solovev, who has clear political ambitions. The new organization claims to have a membership of 1,320. Among them are 35 percent of the oblast's industrial enterprise managers, 16 raion administration heads, and 106 deputies of various levels. Among those present at the founding session were Voronezh Mayor Aleksandr Tsapin, Voronezh Oblast Prime Minister Aleksandr Sisoiev, presidential representative to Voronezh Oblast Boris Kuznetsov, local head of the Federal Security Services (FSB) Kulikov, and Vice-Governor Aleksandr Merkulov (*Izvestiya*, 9 July).

The Union appeared to be relatively influential, yet there was a vigorous debate in the regional press about whether it was primarily a political or economic organization. Some experts claimed that its main objective was to gain electoral support in the upcoming State Duma and gubernatorial elections. It was even rumored that Union head Solovev might seek the governor's seat in 2000, competing against incumbent Ivan Shabanov. All doubts were resolved in the middle of September when Solovev and Shabanov signed an agreement to coordinate efforts to revive the oblast economy. The document declares both sides' commitment to "the universal values of free entrepreneurship, the authority of law, and respect for human rights" and outlines future cooperation on economic development programs. This suggests that the Union will cooperate with the oblast administration rather than oppose it.

At the Union's 14 September executive committee meeting a group of professors from the Voronezh Agricultural Academy presented a project for reviving the oblast's agro-industrial complex. It is one of the first conceptual projects of its kind that have appeared in the oblast in recent years. The project calls for improving state regulation of

the sector, relying on domestic resources, and switching to more flexible patterns of operating agricultural enterprises (*Bereg*, September 17).

Shabanov clearly understands that he is losing popular support and is trying to find new allies among the oblast's political and business elite. More than likely this was his main motivation for signing a cooperation agreement with a Union whose own ideas are clearly opposed to the economic policies of the oblast administration. - Andrei Muchnik in Voronezh

SOCIAL ISSUES

AFTERMATH OF VOLGADONSK EXPLOSION. On 16 September at 5:57 in the morning a bomb exploded in Volgodonsk at 35 Oktyabrskoe shosse. The nine story building had 144 apartments and 442 residents. The blast killed seventeen people immediately and one died later at the hospital. More than 1,000 were injured. Luckily the bomb just blew one wall off the building and the structure did not collapse, or the number of deaths would have been much higher.

The whole city continues to experience feelings of fear and defenselessness even three weeks after the explosion. During the days after the blast, many families left the city to live at their dachas or with relatives. Many people continue to wake up at 6 o'clock in the morning and cannot fall asleep for fear that they will never awake.

Beyond the building at the center of the explosion, 42 other apartment buildings and 11 other buildings (pharmacies, schools) were damaged by the blast. The material damages continue to mount and now total 480 million rubles, not including the damage to personal property at the epicenter of the blast. For the sake of comparison, the city collected only 120 million rubles in taxes in the first six months of the year and, just before the explosion, had increased the deficit to 68 million rubles. Families can receive up to 50,000 rubles in federal compensation and the federal government is giving the city a 50 million ruble subsidy. Families closest to the blast received an immediate compensation of 4,106 rubles.

The apartment building at 35 Oktyabrskoe shosse will be demolished and a square will be built in its place. The other buildings will be repaired. Although the Ministry for Emergency Situations and the Red Cross are providing humanitarian aid, there is never enough to go around. In some cases people are being fed food that is past its expiration date. And often building materials arriving in the city are twice as expensive as they should be. The police have not arrested anyone in connection with the crime. - Milana Svetlova in Volgodonsk

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Russian Cohesion Index: -35 (down 1 this week)

Disintegration.....TL.....0.....Democratic Federalism
(T = this week; L = last week; 0 = 17 March)

For a graphic display of the Russian Cohesion Index since 17 March, see:
<http://www.iew.s.org/RRRabout.nsf/pages/Russian+Cohesion+Index>

-----The St. Petersburg Legislative Assembly voted to move up the city's gubernatorial elections from April 2000 to 19 December to coincide with the State Duma elections. This decision was adopted in clear violation of the law as the Assembly altered regulations to establish a quorum. Vologda Governor Vyacheslav Pozgalev has managed to move his election up to 19 December as well. This increasingly popular trend of moving elections to suit the interests of regional executives continues to undermine the integrity of the electoral process. (-2)

+++++ Samara Oblast has developed a regional development plan that puts a heavy emphasis on attracting investment. The oblast legislature is already working with the governor to improve the region's tax code and mortgage legislation. While the standard of living in the region continues to drop, at least the authorities are heading in the right direction. (+2)

-----The ongoing conflict in Chechnya continues to disrupt the situation in the North Caucasus and is creating a further divide among the Russian populace. Having received approximately 160,000 refugees, Chechnya's neighbors, in particular Ingushetiya, are in desperate need of humanitarian assistance. Tatarstan President Mintimer Shaimiev has openly spoken out against Moscow's military actions, and Chechen President Aslan Maskhadov continues in his request for peace negotiations with President Yeltsin. Moscow's persistence in its military campaign only serves to further antagonize the Chechens and create discord among Russia's regions. (-1)

+++++The domestic beer and food industry continues to make slow progress in the regions. The Baltika Brewing Company has acquired its third factory, located in Tula, and Wimm-Bill-Dann has launched an ambitious leasing program that should bolster its production in Moscow Oblast. These companies serve as strong examples of firms willing to reinvest their profits in Russia. (+1)

-----Philip Morris lost a trademark suit against a Russian tobacco firm in a Moscow Oblast court. Likewise, a St. Petersburg court case this past week renationalized the Lomonosov Porcelain Factory, pushing out foreign investors who have paid more than \$8

million for stocks in the enterprise. These precedents could serve as a major deterrent to foreign investors contemplating working in Russia's regions. (-1)

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Elections 1999/2000

Governors Play Major Role in State Duma Campaign

Otechestvo-Vsya Rossiya Outnumbers Yedinstvo in Voter Potential

Sibneft Financing Helps Build Yedinstvo Bloc

Yushenkov: Right-Wing Liberals Better off Than in 1995

Pskov LDPR State Duma Deputy Bolts Party

Communist Duma Prospects Dim in Kursk

Electoral Violations Rampant in Tatarstan

Patterns of Regional Development

St. Petersburg Sets Governors' Elections for 19 December

Communists Lose in Volgograd

Numerous Elections Set for 19 December in Vladivostok

Center-Periphery Relations

Regions Build Embassies in Moscow

Regional Development Plans

Samara Governor Lays Out Plan To Win Investment

Foreign Ties

Slovak Delegation Visits Omsk

Advertisements

The Final Volume is Out: EWI Series on Eurasian Security

EWI Handbook of Russian Regional Executives

*****Completely Updated as of 1 August 1999*****

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

MASKHADOV URGES FOR PEACE TALKS. Chechen President Aslan Maskhadov expressed his outrage at Russia's invasion of his republic and reiterated his desire for peaceful negotiations in a 13 October interview with *Vremya MN*. "They have not tried everything, they are unable to sit around a table and negotiate. But I know 100 percent that they will be here and they negotiate peace with us. Everything will end with peace talks. But, until then, thousands of snotty soldiers will be killed again and their mothers will come after them again." Maskhadov claimed that the Chechen side had lost 27 soldiers in the conflict while the Russians had lost more than 200. He also asserted that Chechnya was in a better position than it was in 1994 since the Chechens want to fight ten times more than they did before because now they understand that the aggressor does not distinguish among Chechens and considers every Chechen an enemy.

When asked if peaceful negotiations were possible, Maskhadov answered, "I have already said, let's negotiate, why put tanks on the borders? We can protect our borders ourselves, together...I have not retracted from the idea of peaceful negotiations." Maskhadov again restated his desire to conduct negotiations only with Russian President Boris Yeltsin, not with the prime minister. He condemned Chechen aggression against Dagestan and stated that the roles field commanders Shamil Basaev and Khattab played in the conflict were that of volunteers. He claimed that if they are truly guilty of international terrorism then that issue will be settled once Russian forces leave Chechnya's territory.

Maskhadov's demands for negotiations are being echoed by the people of Chechnya, who held an anti-war demonstration in Grozny on 14 October. The republic's parliament and political movements organized the demonstration, which attracted more than 25,000 protesters (www.Gazeta.ru, 14 October).

SELEZNOV TO RUN FOR MOSCOW OBLAST GOVERNOR. State Duma Chairman Gennadii Seleznev announced that he will compete as the Communist Party candidate in the Moscow Oblast gubernatorial elections slated to take place on 19 December. Seleznev told journalists that he made this decision "after numerous appeals from citizens of Moscow Oblast, supported at today's meeting of the Central Committee of the KPRF" (Lenta.ru). Initially Vladimir Kashin was going to run on the KPRF ticket, but instead he will serve as Seleznev's Vice-Governor if the latter is elected.

Seleznev will face incumbent Moscow Mayor Anatolii Tyazhlov, whose popularity in the region has been declining rapidly. Tyazhlov has had a longstanding close relationship to President Boris Yeltsin. He belonged to Our Home is Russia (NDR) and was the chairman of NDR's regional branch. However, like many regional executives seeking to make their alliances with the future key leaders, Tyazhlov left NDR to head the regional branch of Moscow Mayor Yurii Luzhkov's Otechestvo movement (see *EWI Russian Regional Report*, 21 April). The other main contender for the Moscow Oblast gubernatorial seat is Vpered Rossiya's Boris Fedorov, who recently formed a coalition with NDR.

In conjunction with this decision Seleznev is withdrawing his candidacy from the single seat race in St. Petersburg's 209 district, where former Prime Minister Sergei Stepashin is also running. However, he is maintaining his second place spot on the KPRF's federal party list (Lenta.ru, 14 October)

VOLOGDA MOVES UP GUBERNATORIAL ELECTIONS. Vologda Governor Vyacheslav Pozgalev will join the other ranks of Moscow Mayor Yurii Luzhkov and St. Petersburg Governor Vladimir Yakovlev in standing for an early reelection on 19 December to coincide with the State Duma elections (see related story on Yakovlev in this issue). Pozgalev explained the need to move up the election by pointing out that "next year will be a difficult year of trial, therefore it is necessary to ensure the succession of power in a peaceful time." Pozgalev appealed to the mayors of Vologda and Cherepovets asking them to also hold mayoral elections on the same day. Cherepovets Mayor Mikhail Stavrovskii does not support the. (*Ekspert*, 11 October)

LEBED ENTERS NEW CONFLICT WITH TAIMYR. On 12 October Chairman of the Taimyr Autonomous Okrug Legislative Assembly Aleksandr Zabeivorota announced that he had received a letter from Krasnoyarsk Krai Governor Aleksandr Lebed canceling the power sharing agreement signed in November 1997 between the two regions as of January 2000. Lebed stated that he was prepared to negotiate a new agreement with the region. However, Zabeivorota did not receive this invitation warmly, stating that Lebed's decision signifies a new battle between Taimyr and Krasnoyarsk. (*Vremya MN*, 13 October)

Taimyr has a history of embattled relations with Krasnoyarsk, to which it is subordinate, even though both also have the status as separate regions. The root of the conflict between Taimyr and Krasnoyarsk is the wealth generated by Norilsk, home to Norilsk Nickel, which supplies 20 percent of the world's nickel and 5 percent of its copper. The city is inhabited by 200,000 residents, with only 40,000 living in other parts of the okrug, and provides nearly 40 percent of the revenue for the krai budget. At one point in 1997, tensions were so high that Norilsk refused to pay krai taxes, crippling wage and pension payments in the entire region (see *EWI Russian Regional Report*, 11 December 1997). Taimyr did not participate in the krai's December 1997 legislative elections, but did vote in the April 1998 elections for krai governor. In November 1997 Taimyr signed a power-sharing agreement with the federal government, Krasnoyarsk Krai, and the Evenk Autonomous Okrug, which is also subordinate to Krasnoyarsk. The treaty gave the okrug some of the money generated by the plants at Norilsk and this funding was sufficient to pay public sector salaries, pensions, children's benefits, allowing the okrug leadership some independence from the krai. However, since being elected Krasnoyarsk governor in April 1998, Lebed has expressed a strong desire to renegotiate the treaty to reimpose greater control over the okrug (*EWI Russian Regional Report*, 21 May 1998).

Although it is unclear how Taimyr will respond to Lebed's letter, it is apparent that the okrug is not going to surrender more of its assets without a fight. If the okrug employs its previous strategy of withholding contributions to the krai budget, Lebed could face considerable social unrest in the middle of the campaign season.

CHERKES CONTINUE TO IGNORE KARACHAI GOVERNMENT. The People's Assembly of Karachaevo-Cherkesiya managed to confirm the new republican prime minister, former enterprise director Vasilii Neshchadimov, on 12 October on republican President Vladimir Semenov's second attempt to present his nomination. The People's Assembly failed to gather the quorum necessary for the two-thirds majority vote to confirm Neshchadimov the first time. Only 44 of the assembly's 103 deputies, the Karachai, Nogai, and some Russians, attended the sessions, while the Cherkes, Abaza, and many of the Russian deputies have been boycotting the assembly as a form of protest against recognizing Semenov's government. The assembly was able to confirm Neshchadimov on the second try in spite of the missing deputies since a clause of the parliament's regulations states that a simple majority is all that is needed to pass a decision in a repeat vote.

In spite of the Cherkes and Abaza refusal to acknowledge his authority as republican president, Semenov has promised the Kremlin that all of the republic's ethnic groups will be represented in his government. He has proposed that Neshchadimov--an ethnic Russian--have four deputies, a Karachai, a Cherkes, an Abaza, and a Nogai. The

Karachai and Abaza deputies have already been approved: Akhmat Katchiev, who will head up the economic bloc, and Fatimat Kunizhevoi, who will be in charge of the social bloc.

In response to the decisions adopted by the People's Assembly, the supporters of defeated Cherkes presidential candidate, Stanislav Derev, appealed to the procurator of Karachaevo-Cherkesiya with the complaint that the parliamentary regulation the People's Assembly had used to approve Neshchadimov and the other deputy prime ministers violated the republican constitution, which states that no less than two thirds of the assembly's deputies should be present at all sessions. The procurator in turn appealed to the republican Supreme Court requesting that the regulation be declared inactive. If the Supreme Court supports this move, then any decisions adopted by the People's Assembly as it currently stands will be illegal. Furthermore, the 45-day period the federal government granted Semenov to establish a national government based on the principles of parity will expire next week. Approximately 8,000 Derev supporters continue to demonstrate in the central square of Cherkesk. (*Vremya MN*, 13 October)

MORDVINS SEEK TO PRESERVE NATIONAL CULTURE. On 7-8 October the third congress of the Mordvin peoples was held in Mordoviya's capital Saransk. The overall tone of the event was positive and void of the calls for sovereignty that marked the first two congresses *Nezavisimaya Gazeta* reported on 13 October. The two primary issues discussed were increasing the use of two Mordvin languages, Mokshan and Erzyan, in the public sphere and the removal of a nationality line in Russian passports.

The majority of the congress deputies were displeased with the fact that the local languages are rarely used in public discourse. They complained that not enough books were published in these tongues, and students were not learning them in school. Yet, more importantly, the congress seeks to change the republic's language law to require that the Russian population gain proficiency in either of the Mordvin languages. In order for this to happen, instruction must begin in the primary grades.

Nearly all of the deputies complained that the Russian passports adopted in July 1997 no longer display the bearer's nationality. According to the deputies, the absence of this information denies many citizens of their constitutional right to declare their identity. Delegates from the Mordvin population have requested that the federal government allow them to introduce supplementary pages into the passport that includes this information and allows them to make the distinction between Mordvin-Moksha and Mordvin-Erzya rather than being categorized simply as Mordvin. Tatarstan had a similar grievance with Moscow when the passports were first issued, and ultimately reached a compromise allowing Tatarstan to add a supplemental page.

In addition to these issues, the congress discussed ways of reaching out to the Mordvin diaspora living outside of the republic, however, they failed to come to a consensus on how to best to do this.

ECONOMICS

PHILIP MORRIS LOSES TRADEMARK SUIT IN MOSCOW OBLAST COURT.

The Moscow Oblast arbitration court ruled against Philip Morris Products Inc. in its lawsuit against a small Russian company, Invest-Trast, *Kommersant Daily* reported on 12

October. Invest-Trast's cigarettes, "Soyuz-Planeta" and "Evro Street," appeared on the market in June 1999, bearing an uncanny resemblance to the "Soyuz-Apollon" and "Bond Street" cigarettes that Philip Morris promotes in Russia. Invest-Trast's cigarettes are 2-3 rubles cheaper than Philip Morris's products. This price differential resonates particularly strongly in the regions, where the demand for less expensive goods is greater than in the capital. Philip Morris, which only recently opened a new factory in Leningrad Oblast, appears to have lost several million dollars in sales due to Invest-Trast's effective marketing technique capitalizing on Philip Morris's well-established trademark.

At the end of August Philip Morris filed the suit against Invest-Trast, which was forced to halt production while the case was in progress. Philip Morris did not expect to lose the case, and was shocked to discover that its trademark is not protected under Russian law. Apparently, Philip Morris registered its trademark on tobacco and many smoking accessories and matches, but the court ruled that this registration does not apply to cigarettes. Invest-Trast registered its trademark on all of its products. Philip Morris intends to appeal this decision, and Invest-Trast is planning to sue for compensation for the losses it incurred while the trial was under way. Regardless of the final outcome, this case is clearly discouraging for foreign investors contemplating expanding into the Russian market.

COURT CALLS FOR RENATIONALIZATION OF PORCELAIN FACTORY. On 11 October the St. Petersburg arbitration court ruled that the 1993 privatization of the Lomonosov Porcelain Factory, Russia's most famous porcelain producer, was illegitimate. The decision revoked the ownership of a group of foreign investors who held 64 percent of the factory's shares. Since the court case was between the factory and the Ministry of State Property, the foreign investors, which included the US-Russian Investment Fund (TUSRIF) and the US investment firm Kohlberg Kravis Roberts & Co. (KKR), may not be permitted to submit an appeal. Nevertheless, the investors intend to find a legal way to appeal their case.

In 1993 the factory became a closed joint-stock company, which prevented shareholders from selling their stock to a third party without the approval of the other shareholders. However, an intermediary company managed to acquire one share in the factory from a former employee and used its position as a shareholder to purchase a significant stake in the factory from other employees who panicked after the August 1998 financial crisis. TUSRIF and KKR acquired their stakes from several offshore registered companies. If the court's ruling prevails, TUSRIF will have lost the \$4.25 million it has invested over the past year gaining nearly 20 percent of the factory's stock. KKR paid \$4 million for its blocking stake of just over 25 percent. TUSRIF's losses have even greater significance since the fund was founded by the US government and the money invested came from US tax payers. In addition to addressing their grievances within the Russian legal system, TUSRIF has also appealed to Congress and has sent a letter to Russian Prime Minister Vladimir Putin.

Factory officials, accusing the investors of having no plan for the factory and of trying to take over its museum collection (which has over 25,000 items, including several made by Mikhail Lomonosov), had continually prevented the investors from entering the factory or attending shareholders' meetings. Thus, they were pleased with the court's decision. They feel that the state should have control of the factory since it is a national

treasure. The factory was founded in 1744 as the Imperial Porcelain Factory and was the first of its kind to be built in Russia and only the third in Europe. Factory officials claim that product demand remains high, and therefore there is no need for any foreign investment.

However, TUSRIF Vice President Alistair Stobie strongly disagrees with this outlook. He claims that the factory is on the verge of bankruptcy and that the Western investors were the only shareholders interested in saving it. Stobie further stated that western investors should not be accused of asset stripping when Lomonosov workers are the ones stealing factory products. Stobie stated at a news conference on 12 October that it was "impossible to formulate an investment strategy when you are not even sure that the assets that you're investing in are not going to be stolen away from you." Rather than pushing out foreign shareholders, Stobie feels that the Lomonosov factory should prioritize reviving production and regaining rights to its trademarks, which are owned by an offshore company. (*The Moscow Times*, 9, 12, 13 October, *Kommersant Daily*, 13 October)

WIMM-BILL-DANN MAKES FIRST STEP IN MILK RIVERS OF MOSCOW OBLAST. On 12 October Russia's largest juice and dairy producer Wimm-Bill-Dann announced that it is leasing \$6 million worth of Swedish automated equipment to 20 Moscow Oblast dairy farms to help improve regional dairy production. The farms will pay back the eight-year leases--at the end of which they will own the equipment--through a barter exchange of milk at market value. This initiative is part of Wimm-Bill-Dann's "Milk Rivers of Moscow Oblast" development strategy (for more details see *EWI Russian Regional Report*, 23 September).

The first recipient of the Alfa Laval Agri milking complex is the Barybino farm in Moscow Oblast. Barybino Director David Gulko estimates that the farm's daily output of 50,000 tons will increase by at least 10 percent with the new equipment. The Alfa Laval Agri apparatus includes fodder tanks, waste-removal equipment, an automated milking system, freezing system, storage tanks, and a computer system that monitors each cow's milk production, food consumption, and diseases. With the installation of these complexes, Russian dairy farms have the capacity to produce on a quality scale that meets European standards.

Russia lags far behind its European counterparts in dairy production, which has contributed to the country's reliance on imported raw materials for various dairy products. The average cow in Europe yields 6,000-8,000 liters of milk per year, but the average Russian cow gives only 2,300 liters. Such low productivity can hardly meet the Russian market's demand for dairy products. Executive Director of the Lianozov Dairy Combine, Maksim Byrdin, said the factory can only manage to get half of the milk it needs to operate at its full strength. Obtaining raw materials is particularly difficult in Moscow Oblast, which supports several foreign dairy ventures, such as Ehrmann, Campina, Danone, generating high demand for milk. By investing in the modern equipment, Wimm-Bill-Dann, which controls about 30 percent of the Moscow Oblast dairy market, is further securing its raw material base. (*Vremya MN*, *Kommersant Daily*, *The Moscow Times*, 13 October)

ELECTIONS 1999/2000

GOVERNORS PLAY MAJOR ROLE IN STATE DUMA CAMPAIGN. At the end of September, the new governors' bloc Yedinstvo caused a sensation by bringing into the parliamentary electoral campaign governors who had not previously played a national political role, including Kursk's Aleksandr Rutsnoi (the former vice president had generally stayed out of national politics after his election as governor in 1996), Kalmykiya's Kirsan Ilyumzhinov, Primorskii Krai's Yevgenii Nazdratenko, and Chukotka's Aleksandr Nazarov. Earlier the Otechestvo-Vsya Rossiya bloc had already staked its claim. Saratov Governor Dmitrii Ayatskov is running in the number two spot on the Our Home is Russia list. Among the leaders of the Soyuz pravyykh sil is Samara's Konstantin Titov. Additionally, the Communist list includes Tula's Vasilii Starodubtsev in the number two spot and Kemerovo's Aman Tuleev in the number four spot.

Until now the governors had generally stayed out of the political battle. As members of the upper house Federation Council, they usually used a consensus approach in passing laws which sharply distinguished them from their colleagues in the lower house. Now the governors have decided to join the political fray. They hope to fill the lower house with their representatives and then hopefully choose the next president.

Why are the governors so active now? First, they believe that regional interests have been poorly represented on the federal level. And, second, the president could not create a "party of power" for the 1999 State Duma elections, leaving a political vacuum.

Since 1996, the regional leaders' place in Russia's political life has changed significantly. Until then, they were largely appointed by the president. Now all are elected by the residents of their regions, independent of the Kremlin.

"Today's governors are like medieval Russian boyars," according to Aleksandr Yusupovskii, an employee of the Federation Council's National Security Department. He points out that the regional leaders have their own budgets and their own economies, and therefore believe that they do not have to take orders from the center. At the same time, it is difficult to unite them around one general idea. They are self-sufficient. Like the boyars, the governors are constantly competing among themselves across a variety of issues. Moreover, they are battling their neighbors for federal funds and foreign investment.

The unanimous voting in the Federation Council is explained in some cases by a situation in which a given law is not important for specific regions or by the fact that the members of the Federation Council agree among themselves before a law comes to a vote. Of course, every regional leader has his political shading, whether it's Communist, democrat, or centrist. But these are superficial affiliations and one should not consider them consistent supporters of one or another political parties. Working as a political activist is considered unseemly among the governors.

Until recently, it was hard to describe the movements created by the governors as well-formed parties. They were constantly changing organisms. By the beginning of the spring, only a few of the regional presidents and governors had decided on their position. Through the middle of the summer, many of the governors remained undecided, slowly moving from one bloc to another.

The classic example is the flow of numerous governors from Titov's Golos Rossii to the more likely to succeed Otechestvo-Vsya Rossiya and then to Yedinstvo. Many

regional leaders have made analogous moves. Yaroslavl's Anatolii Lisitsyn, for example, left Our Home is Russia for Otechestvo. On the other hand, some have stayed put. Ryazan's Valerii Lyubimov continues to support the Communist Party of the Russian Federation, which brought him to power.

In general, the party programs are essentially similar, so it is easy for the governors to hop from one party to the next. As Carnegie Moscow Center's Andrei Ryabov pointed out, one can only see the differences between the NDR and Otechestvo-Vsya Rossiya platforms with a microscope.

The governors' goal is to win as much power and influence at the national level as possible. The governors are used to ruling in small, separate regions of the country, but under current conditions, they cannot insulate themselves from the economic and political trends sweeping the rest of the country.

Today, the governors use the Federation Council as an agency for regional lobbying. However, their influence in the adoption of laws is relatively limited. The Federation Council only ratifies or rejects laws that come up from the Duma, and the government, which implements the laws, does not pay much attention to the concerns of the regional leaders, or so they believe. The members of the lower house do a good job protecting the interests of a particular party or industrial sector, but are less effective in defending the interests of the regions, the governors assert.

The governors have been particularly upset about their weak position in the Duma. Until recently, they only had a say in the federal budget after it passed four readings in the lower house and it was difficult to change anything. They were also upset about the road fund legislation, which gave the federal government control over the money used to build regional roads.

As Tatarstan President Mintimer Shaimiev has pointed out, Russia's regional leaders are clearly seeking to play the role of the "party of power." In 1993, Russia's Choice and the Party of Russian Unity and Concord served this function, while Our Home is Russia played this role in 1995. Now the Kremlin is considerably weaker than it was then and cannot form a party that would have as much influence in society as those parties had.

By creating Yedinstvo at the last minute before the election campaigning begins, the Kremlin is trying to take advantage of the popularity of the regional leaders. However, most experts believe that Yedinstvo will not become a significant political force. Yedinstvo has little time to work with the voters and its administration backing will not help it in the polls. Carnegie's Ryabov thinks that it will win only 3 percent of the vote, well short of the five percent barrier. However, it may win seats in specific single-member districts where its governors are particularly strong.

The governors are extremely unhappy with Yeltsin's rule now, particularly his arbitrary decisions to remove several prime ministers and his unwillingness to allow governors to participate in the adoption of political decisions. The methods adopted by the presidential administration have also angered many governors since they believe that the administration is trying to take over functions that no one has delegated to it.

In the absence of a strong pro-presidential party, the Kremlin is trying to weaken the power of the Otechestvo-Vsya Rossiya bloc, headed by Yeltsin-foe Moscow Mayor Yurii Luzhkov. Accordingly, the Kremlin will back other parties like Yabloko, NDR, and Yedinstvo to the extent that they can steal votes from Luzhkov and his allies.

Once the Duma and presidential elections are over, the governors' alliances will most likely dissolve. They will have served their purpose as temporary alliances and will not be able to hold together since they lack a unifying ideological core. The leaders of Otechestvo say that they are working to build a permanent party, but only time will tell how successful they are. - Olga Komarova in Moscow

OTECHESTVO-VSYA ROSSIYA OUTNUMBERS YEDINSTVO IN VOTER POTENTIAL. The appearance of the new Kremlin-sponsored Yedinstvo movement backed by a long list of regional executives threatens the position of the Otechestvo-Vsya Rossiya movement as well as the other parties and coalitions that have sought to dominate the party list voting by gaining the support of regional leaders. However, a closer look at electoral demographics suggests that the Kremlin is playing to a relatively small audience. The governors and presidents who have chosen to throw their support to the new movement represent some of the country's smallest and least-populated regions.

The 20 plus regional executives that Yedinstvo counts among its ranks rule over less than 20 million voters, approximately 18.5 percent of Russia's voting population. Citizens over the age of 18, except convicted felons, have the right to vote. Only eight of the regions backing the movement have over 1 million voters. Additionally, four Yedinstvo regions have less than 100,000 voters, including the Evenk Autonomous Okrug, which has Russia's smallest voting population of 12,900. Therefore, the influence regional executives supporting Yedinstvo can exert over the electorate is limited to a relatively small percentage of the overall voting population. Even the most concerted campaign efforts will make it difficult to compete with Moscow Mayor Yurii Luzhkov, who heads up a city boasting 6.7 million voters.

Though there are fewer governors supporting Luzhkov's Otechestvo movement, these executives are responsible for regions that are home to over 22 million voters, or 20.7 percent of the electorate. In particular, Otechestvo is in a position to exert tremendous influence over Moscow City and Moscow Oblast, which collectively account for 11.2 million voters, or 11.3 percent of Russia's voting population. By joining forces with Vsya Rossiya, Otechestvo nearly doubles the number of voters it can reach. Vsya Rossiya has the support of executives who head regions with 17.4 million votes. Many of these region have more than one million voters each. In particular, St. Petersburg boasts 3.7 million voters and Tatarstan and Baskortostan have 2.6 and 2.9 million respectively. Through the influence of the regional executives backing the movement, Otechestvo-Vsya Rossiya is in a prime position to sway 40.1 million voters (38.1 percent), though of course not all voters in a given region will cast their ballot in line with their governor's preferences.

Unlike the governor-based movements, the Communists stand a greater chance to influence the electorate outside of the regions governed by Communist Party supporters. The regions ruled by red governors are home to 19.4 million voters, or 18.1 percent of the electorate. However, the Communists almost always have a significant showing in regions ruled by even the most liberal executives. Furthermore, the Communists are the most popular party among pensioners and the rural populace, who are typically the most active voters.

The case of Yabloko is another example suggesting that the support of regional executives is not a necessary prerequisite for a movement to succeed. In 1995 Yabloko

won 46 seats to the State Duma, the majority of which were acquired through party-list voting, without the support of any regional executives. Likewise, no governors have offered Yabloko their backing this time around, yet the movement still stands a good chance of crossing the five percent barrier. It remains particularly popular, for example, in St. Petersburg.

Although Otechestvo-Vsya Rossiya appears to be in the best position to reach out to the greatest percentage of the electorate in the party-list voting, the support of regional executives is more significant in the single-member districts. Although regional executives can help bolster a movement's showing in the party list voting in their respective regions by offering their support, their campaign efforts carry a greater weight in positioning candidates for single-seat races. From the start, Yedinstvo has prioritized influencing single-mandate races. With only three names on its federal list, the movement is largely ignoring this half of the election in order to concentrate its efforts on winning as many races as possible in the single-member districts, where the governors' support is more influential. The fact that Yedinstvo has attracted support from more regional executives than any other movement will improve its chances of having its candidates elected to the Duma. Nevertheless, Otechestvo's efforts over the past several months establishing its regional branches and the long-standing organizational strength of the Communists should also help these movements do well in the single-member districts. - Danielle Lussier

SIBNEFT FINANCING HELPS BUILD YEDINSTVO BLOC. Last week Omsk Governor Leonid Polezhaev and a delegation of West Siberian bureaucrats and businessmen visited Chukotka's capital, Anadyr, in the far north eastern corner of Russia. Chukotka Governor Aleksandr Nazarov described the visit as one of business and the two regional leaders signed a cooperation treaty. Chukotka has signed 20 such agreements with other regions, while Omsk had 83 previous treaties. However, the formation of the Yedinstvo gubernatorial bloc was most likely the immediate cause for the visit.

During his public appearances, Polezhaev pointed out that Omsk is home to West Siberia's largest and most modern oil refining center and the oil company Sibneft, which gained control of the refinery in the loans-for-shares program. Polezhaev said that since 1 September Sibneft had helped pay off the region's 500 million ruble debt to its pensioners. He indicated that Sibneft would lead the way in Omsk's cooperation with Chukotka because it would look for ways to develop the okrug's energy potential. Sibneft President Yevgenii Shvidler and General Director Roman Abramovich were on hand to discuss the company's policies as well. Shvidler said that a group of company experts would visit the region to examine the possibilities for concrete plans. Abramovich said that Sibneft, within the realm of its resources, would support Chukotka's social sector. Sibneft and Abramovich are closely associated with Boris Berezovskii, who is thought to be the hand behind the creation of the pro-Kremlin Yedinstvo bloc.

Chukotka Governor Nazarov said that his region would benefit from working with Sibneft because it would reduce the price of fuel costs by eliminating numerous middlemen. He said that during the last 25 days, Sibneft had already supplied more than 131 million rubles of petroleum products.

Additionally, Polezhaev said that Omsk and Chukotka needed to work together in the political sphere. He warned that the danger of Russia's disintegration was great at the

end of the twentieth century, pointing to numerous enemies both inside and outside the country. He said that regional leaders had to take the initiative in protecting the integrity of the country and developing federal relations within the framework of one country. He said that the regions would be mistaken to expect a good uncle from Moscow to strengthen regional ties and foster regional interests. Polezhaev said that he would work with Nazarov within the framework of Yedinstvo to ensure that the new membership of the State Duma would take regional, rather than party, interests into account. - Vitalii Gubanov in Anadyr

YUSHENKOV: RIGHT-WING LIBERALS BETTER OFF THAN IN 1995

Last week RRR Tver Correspondent Boris Goubman interviewed State Duma Deputy Sergei Yushenkov, who is one of the leaders of the Soyuz pravikh sil (Union of Rightist Forces, SPS). He is running for the State Duma on the SPS party list and from Tver's district #173.

RRR: How do you see the situation of the liberals in the country overall?

Yushenkov: In comparison with 1995, the right-liberal camp is in better shape because it is more consolidated. In the last elections, the rightist parties won about 10 percent of the vote, but not one of them crossed the 5 percent barrier. Now we have a platform for consolidating them. This situation gives us good chances in this year's elections. If you add up the numbers, we should have enough votes to cross the five percent barrier. Unfortunately, of course, it is not so straightforward. We did not come to an agreement with Our Home is Russia (NDR). Vpered, Rossiya! first allied with us, but then joined NDR.

RRR: What is your strategy and tactics in the new elections?

Yushenkov: The Union of Rightist Forces foresees two main stages in the electoral campaign. We will reach the first peak of activity at the end of October - early November when we will try to secure the five percent necessary to enter the Duma. Then at the end of November until election day, we will try to win as many supporters as possible to have an influential faction in the Duma. Substantively, we will continue to base our activities on liberal values, demonstrating their importance in the context of contemporary Russian reality. This requires an unconventional and new tactical approach.

What's new is that we will campaign for a referendum on four key questions: limiting the power of the president in appointing and removing the government, expanding the rights of legislators, limiting conflict resolution in hot spots to soldiers who volunteer to fight, and protecting property rights. I think that working for this referendum will give the voters the feeling that the Union of Rightist Forces is trying to resolve these concrete issues in the interests of all society on the basis of liberal values.

In terms of concrete legislation, we seek a new tax code that would eliminate 90 percent of the existing taxes, cut the tax rate by two-thirds, and set a flat income tax at 12 percent. We also call for liberalizing bank activity, securing land ownership, establishing bankruptcy as a necessary component of a market system, supporting small business, reforming the military, and encouraging greater transparency in the military budget.

Fundamental liberal ideas should serve as the basis for these concrete policies which are extremely vital for the country today.

RRR: What do you see as the main problem in regional policy today?

Yushenkov: The basic problem with regional policy is connected with creating conditions that would allow the regions to support themselves independently. Unfortunately, today many of them depend on federal subsidies. All other features of regional policy grow from this base. Effectively, the dependence on subsidies paralyzes many regional leaders. The paradox is that almost every region has the resources to survive independently, but is not using them. There are some positive examples, such as Moscow, St. Petersburg, and Novgorod and several other regions. However it is true that Moscow lives on the basis of national companies that are registered in the capital but function in other parts of the country.

In terms of our regional electoral prospects, the Union of Rightist Forces has the best chances to win in Moscow, St. Petersburg, Chelyabinsk, Nizhnii Novgorod and several other large cities where the liberals have traditionally been strong. The chances are the worst in the "red belt" and regions heavily dependent on subsidies.

PSKOV LDPR STATE DUMA DEPUTY BOLTS PARTY. Pskov Oblast has only one State Duma electoral district, making for particularly intense competition. It is also the home of Yevgenii Mikhailov, Russia's only governor from Vladimir Zhirinovskiy's Liberal Democratic Party (LDPR). However, last week the governor's candidate, State Duma deputy Mikhail Kuznetsov, a member of the the LDPR faction, announced that he was leaving the party. He explained this decision by pointing out that a person has the right to change his mind and noting that the LDPR party list had a number of criminals on it. The list was subsequently disqualified by the Central Electoral Commission and Zhirinovskiy is now trying to get another one approved.

The real reason for Kuznetsov's exit is probably just that the LDPR is losing its popularity. According to recent opinion polls, for example, more than half of the oblast's population does not trust the governor.

Following Kuznetsov's departure, the oblast organization of the LDPR, lacking any well known leaders, nominated the practically unknown party functionary Vasilii Temin as its candidate for the Duma. It is not clear what the governor, who strongly supported Kuznetsov, will do. If the LDPR openly supports Kuznetsov, it would hurt his chances of winning. Kuznetsov would also lose votes if the party independently supports its own candidate. Moreover, in the mass consciousness of the people, the governor and his team represent the LDPR, so the governor's backing may not be helpful in any case. - Andrei Shcherkin in Pskov

COMMUNIST DUMA PROSPECTS DIM IN KURSK. In the 1995 State Duma elections, the Communist Party of the Russian Federation won a overwhelming victory in both of Kursk Oblast's single-member districts and the region's party list voting. Both the trade unions and the extremely influential agrarians then lent their support in rounding up the crucial rural vote. That year Kursk's entire delegation to the lower house was Communist, Aleksandr Mikhailov and Aleksandr Potapenko from the single-member

districts and Sergei Falaleev from the party list. This trio played a relatively minor role in the Communists' faction and generally voted with the orthodox wing of the party.

After four years, the deputies have not changed, but the oblast's relationship with them has shifted considerably. Many voters are upset that their representatives did not really solve any problems through lobbying in the lower house. The State Duma was not interested in addressing the problems of the regions and the Communists thought about these issues even less than the other factions. They spent their time attacking the "anti-popular regime" of Boris Yeltsin, focusing on issues such as his health, impeachment, and the battle for seats in the cabinet.

After 1996, the Communists had thought that they could form an alliance with newly-elected Governor Aleksandr Ruskoi. They had particularly hoped to place Mikhailov in the chairmanship of the regional legislature so that they would have an additional seat in the Federation Council. However, Ruskoi did not go along and the Communist members of the lower house began to file federal complaints about the governor's activities, which led various federal agencies (the Procurator General, Chamber of Accounts, and the tax services, among others) to carry out more than 50 investigations of Ruskoi's administration. No crimes were uncovered, but Ruskoi did not forget the Communists' hostility.

Now the Communists are experiencing considerable difficulty. Ruskoi's allies, rather than the Communists, won the recent mayoral elections in Kursk and other cities in the oblast. Ruskoi allies also won in the local legislative elections. In the rest of the country, the Communists are also in trouble. They have lost their attractive image, failed to win a number of local elections (Belgorod and Sverdlovsk oblasts), and the party has fractured, with the moderate nationalists, orthodox Communists, military supporters, and most of the Agrarians leaving, while contradictions inside the party continue to grow.

The Kursk party believed that it had discipline problems with its Duma members. As a result, the oblast party conference decided to nominate Nikolai Ivanov, the deputy chairman of the oblast Duma, as the region's representative on the party list instead of Falaleev. Falaleev had become too independent for party tastes. Even worse, the press had started to print rumors about his "nontraditional sexual orientation," which the party faithful did not like or understand. As a result, Falaleev is running in a Kursk single-member district, with the support of the local ICN pharmaceuticals plant and an influential bearing factory. This decision further angered the party, according to the Communist newspaper *Golos naroda* on 8 October.

Given the party's difficulties, the Kursk trade unions and agrarians are not supporting the Communists in this election cycle. The unionists are backing the Otechestvo-Vsya Rossiya candidates in the region. The governor, of course, is supporting Yedinstvo, whose list was approved at its 6 October congress. Perhaps, following the next election, Kursk Oblast will no longer be part of the so-called "red belt" of regions that instinctively support the Communists. - Sergei Sarychev in Kursk

ELECTORAL VIOLATIONS RAMPANT IN TATARSTAN. Even though there is legislation prohibiting state agencies from participating in the collection of signatures in support of electoral blocs, parties, or individual candidates, Otechestvo-Vsya Rossiya has completely ignored this law in Tatarstan. This bloc has special privileges because Tatarstan President Mintimer Shaimiev is one of Vsya Rossiya's unofficial leaders.

When I went to take care of personal business at the Department of Social Security in the Vakhitovsk Raion of Kazan, the first thing the department inspector did was take out a list from her desk and ask me to sign it. The list already had the signatures of others who had visited the department. I asked what the list was and the inspector answered, "This is the signature list in support of Otechestvo-Vsya Rossiya." When I mentioned that what she was asking of me was illegal, the inspector quickly put the list back in the desk and stated that she was asking, not forcing me to sign it. One can only guess what kind of pressures are placed on people who come to this office with some urgent requests.

However, social agencies are not alone in collecting signatures for this presidential bloc. According to the newspaper *Vechernaya Kazan*, such illegal activities are also taking place at the Kazan city Labor and Employment Center, where the city's unemployed must come to seek work. The republic's Central Electoral Commission officially reprimanded the center for asking the unemployed to throw their support to Otechestvo-Vsya Rossiya.

Violations of the electoral law go beyond the collection of signatures in Tatarstan. A Kazan journalist for *Moskovskii komsomolets v Tatarstane* complained to the republican Supreme Court about the republican Central Electoral Commission's list of electoral districts for the December elections. The term for the republican State Council, which should end in March 2000, has been moved up to 19 December so that the elections will coincide with the State Duma elections and the electoral districts for the State Council elections were determined with these considerations. The federal law states that electoral districts should be nearly equal in the number of voters, allowing for a 10 percent differential in most areas, and 15 percent in remote areas. Republican law states that the differential should not be above 15 percent. However, in his complaint the journalist indicated that in 114 of the 130 electoral districts in Tatarstan the number of voters was either above or below the legal limits. He claims that this design violates federal law, the republican constitution and republican electoral law as well as infringing on citizens' constitutional right to equal elections. As the complaint points out, in Kazan district 1 there are 800,000 voters, but in Yelabuz district 38 there are only 8,000 (*Vechernaya Kazan*, 5 October). - Midkhat Faroukshin in Kazan

PATTERNS OF REGIONAL DEVELOPMENT

ST. PETERSBURG SETS GOVERNORS' ELECTIONS FOR 19 DECEMBER. On 8 October the pro-governor blocs in St. Petersburg's Legislative Assembly, Peterburgskie raiony, Nash gorod, and Promyshlennaya, violated the body's procedural rules to move the city's gubernatorial elections to 19 December 1999 from April 2000. The Yabloko and Blok Boldyreva factions and several independent deputies, totaling 18 members, had opposed the move. Ultimately 26 deputies voted to set the elections four months early on the last possible day to do so (<http://www.vedomosti.spb.ru/arts/spbved-2101-art-89.html>). However, the rules required a two-thirds majority to make such a move and the decision taken on 8 October to lower this requirement was adopted in clear violation of the body's procedures. (Descriptions of these events can be found on Yabloko's server, <http://www.yabloko.spb.ru/News/news.htm> and in the articles of the newspaper *Nevskoe vremya* (<http://www.nvrem.dux.ru/arts/nevrem-2072-art-1.html>).

Governor Vladimir Yakovlev's opponents in the city legislature plan to protest the legislators' action in court. Yabloko faction member Aleksandr Shishlov said that in addition to the lack of a proper quorum, many deputies improperly used the keys of their colleagues to cast votes for members who were not present. He said that when he entered the Assembly on 11 October, the electronic board said that there were 30 deputies present, when in fact there were only 20 in the hall (<http://www.polit.ru/index.html?date=1999-10-11&time=10:05#10:05>).

The members of the Yabloko and Boldyrev blocs are in a difficult position because they must decide whether to wage a strong campaign in court to have the elections postponed or begin organizing campaigns for their own candidates in the gubernatorial race which may take place in December despite their protests. In the past, court cases against the pro-governor forces have failed when they reached the Russian Supreme Court and its presidium. Additionally, the Supreme Court backed the validity of moving the Belgorod and Novgorod Oblast gubernatorial elections to 1 September even though the governors' opponents had tried to have these decisions overturned.

The City Electoral Commission has already begun making preparations for the elections and the nomination process started on 13 October. Yabloko has already announced that if the elections are moved up it would not support its member, former Vice Governor Igor Artemev, but would instead back former Prime Minister Sergei Stepashin. Press Secretary of the Russian Party of the Center, Yabloko's branch in St. Petersburg, Olga Pokrovskaya said that the party would decide whom to back following consultations with the city's other democratic parties. The Boldyrev bloc is most likely to nominate Yurii Boldyrev himself. He has sharply criticized the governor's economic policy and has declared the decision to move the elections illegal. Nationalist Yurii Belyaev, who recently participated in the Leningrad Oblast gubernatorial elections, has also said that he is going to run (*Smena*, 12 October). Even former Mayor Anatolii Sobchak said that he was considering running for governor while he was also contemplating a campaign for the State Duma in the city's district number 211.

Yakovlev's popularity in the city effectively guarantees that he will reach the second round. A September poll gives him about 50 percent of the vote, while the nearest competitor, Stepashin has only about 16 percent (see <http://www.gallup.spb.ru/rus/default.htm>). However, given the political fragmentation in the city, Yakovlev will be unlikely to win with just one round. It remains unclear who his opponent in the runoff will be.

During the last nine months, the governor's team has changed significantly. Because of their disagreements with the governor, Artemev and head of the city's Judicial Committee Dmitrii Kozak have quit. Vice Governor Ilya Klebanov is now working in the federal cabinet as a deputy prime minister. The head of the city property committee, Andrei Likhachev, and the last ally of Anatolii Chubais, has left to head Lenenergo. The head of the governor's office, Viktor Yatsuba, was recently released after he had helped the governor remove the former speaker of the Legislative Assembly Aleksandr Kravtsov at the beginning of 1998 and then helped run the Legislative Assembly campaign at the end of the year, in which the governor's allies did not win a commanding majority.

Now, the key player is Vice Governor Valerii Malyshev, who is running Otechestvo-Vsya Rossiya's campaign in St. Petersburg. Sobchak had originally invited Malyshev to work in the administration and he stayed on under Yakovlev. He had helped

Sobchak move the elections in 1996 and led the effort for Yakovlev this year. - Daniil Tsygankov in St. Petersburg

COMMUNISTS LOSE IN VOLGOGRAD. Volgograd's 3 October mayoral and city council elections upset recent trends in the region which saw Communists making constant gains. With turnout over 50 percent, the voters reelected their non-Communist mayor and threw most of the Communists out of the city council.

Volgograd Mayor Yurii Chekhov was reelected to his post with 38 percent of the vote. He has headed the city administration for 8 years. State Duma Deputy Yevgenii Izhchenko (Liberal Democratic Party of Russia) came in second with 29 percent of the vote, Communist Party (KPRF) candidate Sergei Agaptsov took third place with 20 percent, and former Governor Ivan Shabunin finished fourth with only 6 percent. Although losing candidates complained of violations in the election's proceedings, the results were easily confirmed by the City Electoral Commission, and no apparent violations were noted in the commentaries of participants and experts.

Observers blame the Communists' poor showing on the fact that Agaptsov is not very well known in the city. They also note that the populist campaign conducted by Izhchenko took away a portion of the Communists' votes. Nevertheless, the results of the city council elections show that the Communists' defeat had deeper roots. The previous city council was made up almost entirely of KPRF members. Now, only 6 of the 24 seats are held by Communists. Yabloko gained two seats, which can be considered quite a success given the recent scandal in which Yabloko's regional leader, Ivan Lukashev, left the party. Of the remaining delegates, four are from the city and district administrations, three are deputy directors of prominent enterprises, while an entrepreneur, lawyer, and several doctors fill out the rest of the spots.

This is the first time in recent years that elections in Volgograd have created a body that not only is not under the control of KPRF, but is inclined toward liberal policies. The reelected mayor even congratulated the deputies with the words, "We have achieved a democratic majority in the city council." Several years of governance in the region by Communists has soured the opinion of a considerable portion of the electorate. By all indicators, the KPRF was the Volgograd "party of power" and received its share of protest votes, however it seems that people's weariness of faceless authority served as an even stronger motivation for their voting.

This turning point in the preferences of Volgograd voters takes on even greater significance in regard to the upcoming federal elections. Chances are the Communists will not have an easy time in Volgograd in either the December State Duma elections or June presidential elections. The pendulum has swung to the other side. - Ivan Kurilla in Volgograd

NUMEROUS ELECTIONS SET FOR 19 DECEMBER IN VLADIVOSTOK.

December will be the day of elections in Vladivostok. In addition to choosing State Duma candidates and the governor of Primorskiy Krai, residents will elect a new city duma and vote on a new city charter. On top of all that, acting Mayor Yurii Kopylov has called for electing a new mayor on that day as well.

The city is holding a referendum on the new charter and trying to elect a city duma since in the past 15 of 16 attempts to elect the city legislature, turnout was below

the necessary 25 percent and the elections were not valid. The new charter will do away with this requirement. In the other attempt, enough candidates were elected to form a quorum, but the courts then ruled that most of the elections were invalid because of electoral law violations. Vladivostok's failed democracy is now famous throughout Russia and even Europe for its inability to hold a valid election after so many attempts. According to Primorskii Krai Electoral Commission Chairman Sergei Knyazev, a recent commission sent by the European Union to study the situation recommended holding the elections on 19 December.

Kopylov's call for mayoral elections was completely unexpected. Kopylov seems completely happy as the appointed mayor of Vladivostok, a position he has held for almost a year. Moreover, he is extremely unlikely to win in a popular vote since his only accomplishment in office has been to restore some statues. Finally, as both Kopylov and Knyazev point out, such mayoral elections would be illegal before the дума is elected and ratifies the city charter.

The opposition believes that Kopylov wants to hold the elections in the city on that day, hoping that he will be able to hide any dirty tricks necessary to win behind the overall commotion of so many other elections taking place simultaneously. Others think that Kopylov is trying to get former Mayor Viktor Cherepkov to compete in the mayoral elections so that he will not be a factor in the more important gubernatorial elections. A third group suggests that Kopylov knows that his call for elections cannot be implemented and therefore simply wants to indicate that he is not afraid to stand for a vote. In short, another scandal is brewing in Vladivostok, as usual. - Yevgenii Popravko in Vladivostok

CENTER-PERIPHERY RELATIONS

REGIONS BUILD EMBASSIES IN MOSCOW. Most Muscovites do not realize that alongside the foreign embassies in the Russian capital are the embassies of many Russian regions. Even the residents of the regions know little about the work of these representations. Most of the regional emissaries themselves avoid the lime light, preferring to work in the shadows to support their various regions in the capital.

The regions began to build their Moscow offices in April 1992, after President Boris Yeltsin signed a decree allowing the establishment of such institutions. The representatives of national republics (such as Ingushetiya, Bashkortostan, and Kalmykiya) and the kraia have the status of institutions working with the presidential administration. This status allows them close economic and political ties with the president's staff. The oblast representations (Leningrad, Sverdlovsk, Ryazan, among others) and the city of St. Petersburg function under the aegis of the Russian government, giving them useful economic contacts there. Governors or regional legislatures decide whether to open such representative offices.

Tatarstan established its representative office in September 1993 and currently employs 18 people. It has an extensive structure which allows it to carry out a diversified set of tasks. Under the Tatarstani representative, there are two deputies, a business manager, and economic and foreign departments. The main mission of the office is to facilitate relations between the federal government and the republican authorities in Tatarstan, according to Liliya Lobova, an employee of the business affairs office.

Establishing contacts with international organizations and businesses is the second most important function.

Kaluga Oblast founded its office in February 1997 and it currently employs six people. Governor Vladimir Sudarenkov, who was elected in 1996, initiated the opening of the office. Sudarenkov determined that the main priorities of the office should be attracting foreign investment and establishing foreign economic ties, according to Gennadii Sklyar, the oblast's chief representative in Moscow. The office also seeks to "beat out" financial resources from Russian sources, but that is only a second-order priority.

In general the representative offices can be divided into three types, according to Sklyar. The largest offices carry out representational and economic tasks, like foreign embassies. The second type of office, somewhat smaller, acts as an informational go-between for the region, on one side, and the federal government and foreign investors on the other. The third type includes offices that only employ one or two people who are mostly involved with hosting visitors from the regions. In general, though, most of the offices perform some combination of all these roles.

"We prepare all of the governor's meetings with the ministers and other federal bureaucrats. We make contact with the foreign embassies, chambers of commerce, large foreign firms and send them our proposals. We try to take an active position," Sklyar said. The Kaluga office helped open two new factories back home, a plant that produces corrugated cardboard and a brewery which produces the heavily advertised Zolotaya bochka beer, with the investment of South Africa's SAB. Overall direct investment in the oblast economy is \$200 million.

Volgograd has had its office in Moscow since 1992 and now employs eight people. This summer when the region was experiencing a severe drought, the office helped convince the federal government to provide disaster assistance relief, according to Tatyana Trubitsyna, the oblast's chief representative. Among the office's constant duties is working with Gazprom on the oblast's inability to pay for the gas it consumes and preparing mutual debt canceling, which has gone on for the last two years.

Trubitsyna said it is her job to screen potential investors who want to work in the region. She said that most of the "businessmen" she meets are in fact seeking to handle state money, taking a percentage for themselves, or launder money earned illegally. She only passes along information to the regional administration if she believes the people she has met are honest.

The offices are also responsible for helping their regions present themselves at tradeshows taking place in the capital. Volgograd's Barrikada factory was particularly successful at a recent Rosvooruzheniya exhibition, for example.

The constant changes in the Russian government make life difficult for the representations. Every few months they must establish new relations with five or six new ministers and their new deputies. The managers of the offices also complain that they often do not have enough money to do as much for their regions as they want.

The representations have only been widely discussed in the press once. This spring, when regional leaders accused the federal government of having too many of its employees in the regions, then Prime Minister Yevgenii Primakov said that the regions were also to blame, since they had opened up fancy offices in the capital even while they

were not paying salaries at home. In fact some of the offices have strong support from private firms and are able to work at a high level, but most are far from extravagant.

Each region has to make its own arrangements in Moscow. In Volgograd's case, Trubitsyna said that the Moscow city government charges them a rent that is 60 percent of the going rate as a concession to the regions. Currently, the representations receive all of their funding from their regional budgets. In the future, they may reregister as independent entities so that on top of their representational duties, they could also perform commercial services for pay. - Olga Komarova in Moscow

REGIONAL DEVELOPMENT PLANS

SAMARA GOVERNOR LAYS OUT PLAN TO WIN INVESTMENT. Samara Oblast will step up the search for more investment in 2000, according to Governor Konstantin Titov's budget speech to the Samara Guberniya Duma. The results of this policy will depend on how well Samara can compete with its neighboring regions.

The governor's speech always includes the draft budget for the next year as well as forecasts of future economic conditions. The forecasts are broken into three types, optimistic, pessimistic, and balanced. On the basis of the balanced forecast of regional development, the administration prepares its action plan. Unlike the budget, this document does not have to be implemented, but it does include a list of laws which the governor should send to the oblast legislature.

Projections of oblast growth depend on the level of inflation. Samara's growth in 1999 should be about 8 percent. The budget makes two predictions of growth for 2000. The optimistic scenario predicts growth of 3 percent, with a monthly inflation rate of 1.7 percent. The pessimistic prediction foresees a 1.8 percent drop in production, with inflation reaching 2.2 percent a month.

Titov said that 1999 has been a year of relative normalization after the economic crisis of 1998. Some industries have grown nearly 9 percent. Productivity has also increased in a number of sectors. The growth has come as the result of gains in the export market and import substitution. But Titov pointed out that stable economic growth will come only when increased output is matched by an improved financial situation at the regions' enterprises. If this does not happen, then the relatively auspicious economic trends will not last for the long term. Currently investment in the oblast is low, with most observers suggesting that investment this year will be 5 percent less than last year. The positive trends have also not sparked an increase in the living standards of the population and real incomes for the year have shrunk 10 percent. During the first eight months of the year, prices for goods and services have risen 25.1 percent. By the end of the year, prices will likely be 50 percent higher. As a result, the oblast authorities have decided to raise salaries for public sphere employees. Moreover, every pensioner will receive a 100 ruble lump-sum payment from the oblast budget in October.

In 2000, the oblast should increase its income by optimizing the tax system and widening the tax base by attracting new businesses to Samara. In short, stabilizing the economy requires new investment and winning this money is the oblast's main strategic goal. The first step in attracting new investment is develop a mortgage system. The legislative base for this system was adopted in 1999. Additionally, the oblast administration will try to make the region a more attractive place to invest by supporting

social services that are not attractive for private sector entities. The oblast will also find ways to expand its exports and increase import substitution. Samara will work on developing special economic zones in several oblast raions, particularly the cities of Chapaevsk, Pokhvistnevo and Oktyabrsk. Depending on market conditions, the oblast may also try to float Eurobonds and internal bonds.

The 2000 budget, with planned income and expenditures of 7.245 billion rubles, will be as strict as the 1999 budget. The oblast's slogan is "Live within one's own means and don't give empty promises," Titov declared. "We do not plan to imitate the federal budget which has numerous unfinanced lines."

The declining standard of living for the population means that an even larger share of the budget must go for social expenditures. The main budget priorities remain education, healthcare, housing reform, and the introduction of resource-saving technologies.

Taking a cue from the governor, the oblast дума promptly adopted a package of laws aimed at increasing investment. In particular, the regional legislature increased the number of benefits intended for investors. Investors now do not have to pay oblast taxes on profits, property, and land. The road tax was cut 50 percent. Additionally, the oblast budget will give investors who build production facilities or social infrastructure (driveways, water or electricity hook-ups) up to 500,000 rubles in subsidies.

Although a majority of the oblast дума deputies supported the governor's proposal, the 2000 budget will not easily win approval. One of the most controversial points is how much money should be spent on culture. According to the current law, cultural institutions should receive no less than 6 percent of all oblast outlays. However, the current budget only foresees 2 percent of outlays going to cultural institutions. To solve the problem, Titov suggested transferring many of these institutions from depending on the oblast budget to gaining support from the city budget. - Andrei Perla in Samara

FOREIGN TIES

SLOVAK DELEGATION VISITS OMSK. Before heading to Moscow for meetings with the federal government, a large delegation from the Slovak Republic headed by Slovak National Assembly Chairman Jozef Migash completed a trip to Siberia, including the Kuzbass and Omsk Oblast. Several representatives from industrial enterprises visited Omsk and signed two agreements with the leadership of Omskshin. Additionally, the Slovak delegation and Omsk officials agreed to further develop their economic and legislative cooperation to culminate in an exhibition of Slovak goods in the city of Omsk in September 2000.

The Slovak delegation's visit was the first time such high level international guests from outside the CIS visited Omsk Oblast. Migash explained his tour of the regions at a press conference, stating, "Many concrete questions in Russian-Slovak relations can no longer be solved in Moscow, but only in the provinces. Meeting with the leadership of your country is insufficient for us. Many things can only be discussed with regional authorities. People in Russia live in many cities and districts. Life is there and it is there where we must conduct business. We are displeased with the fact that trade

between our countries is decreasing and thus we are searching for regions which are not plagued by explosions and where stability is maintained."

The delegation was made up not only of business people, but of deputies as well. They were interested in Omsk Oblast's experience as an initiator of useful legislation at the federal level. As Vice-Speaker of the Federation Council and Chairman of the Omsk Oblast Legislative Assembly Vladimir Varnavskii pointed out, in Slovakia regional authorities do not have the right to propose legal initiatives, therefore they are interested in Russian structures. - Marina Chukhlomina in Omsk

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EastWest Institute
Russian Regional Report
Vol. 4, No. 39, 21 October 1999

DEAR READERS: We have decided to restructure the Russian Cohesion Index into a list of Federal Trends. The list will summarize the most important weekly events in the regions. Each event will carry a positive (+) or negative (-) classification to indicate whether it contributes to Russian cohesion or potentially leads to disintegration. For further details about these events, please see related stories in this week's edition of the *EWI Russian Regional Report* and the *EWI Russian Regional Investor*.

Federal Trends

----- The new Yedinstvo bloc has begun its regional campaign against the Otechestvo-Vsya Rossiya movement, and its tactics are extremely dirty. In Rostov Oblast, the new bloc is trying to coerce Otechestvo candidates to either change their party affiliation or drop out of races. Such tactics suggest that the use of dirty tricks will only increase as the presidential election approaches.

+++++ *Ekspert* magazine's fourth annual survey of the investment climate of Russia's regions claims that Russia's investment environment is in fact better than it may appear. Many regions have improved their overall attractiveness to investors by increasing their investment potential and reducing various risk factors. *Ekspert* also pointed out that even though total foreign direct investment was down over the past year, the regions have been receiving a greater share of this investment. While considerably less money is going to Moscow in absolute terms, several regions, such as Leningrad Oblast, St. Petersburg, Moscow Oblast, Krasnodar Krai, Irkutsk Oblast, and Sverdlovsk Oblast have received more investment than they did the year before.

----- St. Petersburg Legislative Assembly Deputy Viktor Novoselov was murdered on 20 October, the day he was scheduled to stand for election to the Legislative Assembly's speakership. St. Petersburg has witnessed several politically motivated assassinations in the past several years. The physical danger of practicing politics in the city greatly inhibits healthy democratic development.

----- Nizhnii Novgorod became the first Russian region to default on its Eurobond obligations. The region's failure to make a \$4.4 million interest payment reflects its poor investment policies of the last several years as much as the effects of the August 1998 crisis. Although the creditors failed to accept a debt restructuring program initiated by the oblast, further negotiations are taking place this week.

----- The federal Tax Ministry is planning to cease Russia's tolling operations by the end of this year, inciting grave concern among Russia's aluminum smelters. Though non-ferrous metallurgy is one of Russia's most lucrative industries, producers rely on tolling contracts to supply them with sufficient raw materials. Irkutsk Oblast, in particular, is

concerned that abolishing tolling could increase social tension in the region since the oblast's two plants will face considerable problems as a result.

-----Gazprom is trying to consolidate its hold over the gas industry in Volgograd. The oblast administration is hoping that it can help erase its enormous debt to the monopolist by giving it control over the gas distribution pipelines in the city. The workers in the company that controls these pipes, who own three fourth's of the company's shares, believe that the oblast administration is trying to give away their property behind their backs and are fighting the move. As a result of the conflict, Gazprom may ultimately reduce gas supplies to the city.

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Pro-Governor St. Petersburg Legislator Murdered

Yaroslavl Governor Drops Out of Otechestvo

Oblast, City Budget Battles Continue in Novosibirsk

Elections 1999/2000

Otechestvo, Yedinstvo Battle in Rostov Oblast...

...But Cooperate in Nizhnii Novgorod

Baburin to Go It Alone in Omsk

Stepashin Set to Win St. Petersburg's District 209

Chechnya and the Russian Regions

Inexperienced Soldiers Returning to Nizhnii Novgorod

Center-Periphery Relations

Shaimiev Defends Maskhadov and Luzhkov

Federation Council

Governors Look to Internet for Solution to High Fuel Prices

Regional Rankings

Latest *Ekspert* Regional Rankings Show Increasing Activity Outside Moscow

Political Economy

Irkutsk Fears Tolling to be Cancelled at Year's End

Volgograd Oblast Leadership Hopes to Cut Deal with Gazprom

Foreign Ties

Lukashenko in Kaliningrad

Dispatches From the Field

Sakhalin: The Dying Corner of the Empire

Advertisements

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EWI Handbook of Russian Regional Executives

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BREAKING NEWS

POLITICS

SEMENOV FACES PROBLEMS IN MOSCOW AND AT HOME. On 13 October the Federation Council refused to confirm Vladimir Semenov as a member of the federal parliament's upper house on the grounds that the Russian Supreme Court had not yet issued its verdict on Semenov's victory in the disputed Karachaevo-Cherkesiya presidential elections, *Kommersant Daily* reported on 14 October. The Supreme Court is scheduled to announce its decision on 22 October.

Ingushetiya President Ruslan Aushev appealed to the Federation Council to confirm Semenov. According to Aushev, Semenov's election is not the first regional election to be disputed. However, the Federation Council has never before anticipated a court decision on such disputes. Semenov's supporters were not surprised by the Federation Council's decision. They did not expect him to be confirmed to the parliament until the Supreme Court issued its official ruling.

Meanwhile, Semenov is working to establish order in the chaotic republic. On 18 October he issued a decree banning demonstrations and protests in Karachaevo-Cherkesiya. The ban was clearly targeted at the Cherkes community, which has staged demonstrations of varying size since the presidential elections in May when Semenov defeated their candidate, Stanislav Derev. Derev's supporters blockaded the government building for six days following Semenov's inauguration in September (see *EWI Russian Regional Report*, 29 September), and have been conducting a silent picket before the building ever since. The protesters, who do not recognize Semenov as the republican president and demand the establishment of a separate Cherkes republic, have no intention of halting their activities. It is unlikely that force will be used to implement Semenov's decree, which violates Article 31 of the Russian Constitution. Head of the republic's Ministry of Internal Affairs Aleksandr Volkodav has already expressed his disapproval of using force to handle the situation. (*Vremya MN*, 19 October)

On 15 October Russian President Boris Yeltsin issued a decree setting up a special commission for stabilizing the situation in Karachaevo-Cherkesiya and establishing local administrative organs made up proportionally from the ethnic groups in the area (<http://www.maindir.gov.ru/ASPScripts/PressDocs.asp?MONTH=10&YEAR=1999&DAY=15&NUM=10>). The main focus for setting up the commission is to prevent terrorism. Apparently at least three natives of the republic are implicated in the September apartment explosions throughout Russia. (*The Moscow Times*, 19 October)

ECONOMICS

VYBORG PAPER FACTORY REMAINS UNDER DISPUTE. On 14 October armed officers from the Leningrad Oblast Ministry of Justice tried to seize the Vyborg Cellulose and Paper Combinat, which has been under the control of the workers' collective for 21 months. The officers were attempting to fulfill an arbitration court order ending the workers' seizure of the plant. The factory's foreign owners, Alsem UK, have not been able to take possession of the plant since it was purchased from Nimonor Investments in June (see *EWI Russian Regional Report*, 1 July 1999). Nimonor was never able to enter

the factory, which was seized by the workers' collective shortly after Nimonor acquired the plant, even though it won several court cases against the trade union (see *EWI Russian Regional Report*, 28 May 1998).

Thirty "Typhoon" officers from the Justice Ministry entered the facility's central building at 2 am on 14 October and locked themselves in with eight workers on the second floor dining hall of the administrative building. Two workers were shot by the officers, and others reported that they had been beaten. In the early morning approximately 700 workers came to the plant upon hearing of the takeover attempt. Several beat up Alsem-appointed Director Aleksandr Sabadash, and held him hostage for an hour. The standoff lasted for about 15 hours and ended when the officers left. The eight hostages were charged with resisting the authorities before they were released. The plant closed for the following two days and resumed operation on 17 October.

The combine's workers fear that Alsem will turn the enterprise into a plywood factory, which will cause an enormous reduction in staff. The factory, which is located in the 7,000-person town of Sovetskii, employs 2,000 workers and supplies the town with heat and electricity. Under the operation of the workers' collective, combine workers have been receiving 1,500 rubles per month (about \$60), paid for by the plant's sales. According to the Leningrad Oblast administration, in August 1999 the combine worked at 64 percent capacity, producing cellulose, wallpaper, and paper. However, the factory has not paid its taxes while operating under the workers' collective, accumulating an 11.3 million ruble tax debt as of September.

In July Alsem made some progress in accessing the plant's facilities. With the aid of police officers and security guards Sabadash and another Alsem representative, Mikhail Shlosberg, succeeded in entering the factory's administrative building (see *EWI Russian Regional Report*, 15 July). Sabadash assured that no workers would be laid off, \$1 million in wage arrears would be paid out, and the factory's debts, including the tax debt, would be paid as soon as he took office. He also promised that Alsem would spend up to \$20 million in purchasing new equipment for the factory. However, the workers did not trust Sabadash and the July takeover attempt served to only further anger the workers, who threatened to block the highway connecting Leningrad Oblast to Finland. (*The Moscow Times*, 15 and 19 October)

On 19 October Leningrad Oblast Governor Valerii Serdyukov announced that the arbitration court of St. Petersburg and Leningrad Oblast would examine the legality of the combine's privatization, *Segodnya* reported on 20 October. If the court decides that the plant was privatized in violation of the law, then it will become a "people's enterprise" controlled by the workers collective. However, the court--the same court that sent out the Typhoon troops--will have to search hard to find sufficient grounds to overturn the enterprise's privatization. Nevertheless, the St. Petersburg and Leningrad Oblast arbitration court recently set a precedent in a similar privatization suit involving the Lomonosov Porcelain Factory, which was renationalized after the court decided that its privatization was illegal (see *EWI Russian Regional Report*, 14 October)

NIZHNII NOVGOROD DEFAULTS ON EUROBOND. On 14 October Nizhnii Novgorod Oblast became the first Russian region to technically default on its Eurobond debt. St. Petersburg and Moscow are the only other regions that floated the bonds before the August 1998 crisis. The oblast failed to make the \$4.4 million coupon payment that

was due on 3 October within the 10-day grace period, causing the default. The oblast administration has been trying to negotiate with its Eurobond creditors on restructuring the debt repayments (see *EWI Russian Regional Report*, 7 October).

The oblast hoped to extend the pay back period on its 5-year, \$100 million loan from 2002 to 2006 with a 3-year deferment on interest payments. However, the creditors failed to approve the plan, voting 74.3 percent in favor of it, just short of the necessary 75 percent. The closeness of the vote will allow for additional negotiations on 21-22 October. Nizhnii Novgorod has tried to remain on good terms with its creditors. It transferred a \$500,000 payment, and offered to pay at least half of the coupon, \$2.2 million, by 3 December. Nevertheless, the region's failure to meet its obligations without a plan for restructuring the debt in place allows Nizhnii Novgorod's creditors to sue the oblast for full payment of the bond if they wish. If one creditor demands full payment of the bond the oblast will be legally obliged to pay it, falling into official default. In addition to negotiating with its creditors, the oblast appealed to the federal government for assistance. However, the Ministry of Finance announced that it does not intend to make the payment for Nizhnii Novgorod, which would be in violation of the loan terms. (*Kommersant Daily*, 15 October)

Nizhnii Novgorod's financial situation has deteriorated considerably since it first engaged in Eurobonds in September 1997. Instead of the full \$100 million going to investment projects that would yield returns on interest, in 1997-1998 only \$68.7 million was directed towards investment and \$20 million went to pay wage arrears. Although the oblast was able to make the first two coupon payments, the August 1998 financial crisis devastated Nizhnii Novgorod's economy, leaving the oblast without the means to pay back its obligations as originally intended and forcing the regional administration to rely on the oblast budget as the payment source. The oblast nearly defaulted on its coupon payment in April (see *EWI Russian Regional Report*, 7 and 21 April), and defaulted on an agrobond debt in October 1998.

The Moscow Times reported on 15 October that Moscow City might also confront difficulties repaying its Eurobond debt in the upcoming months. Head of Moscow's municipal debt committee Sergei Pakhomov confessed that Moscow will have a difficult time making a \$500 million payment on the bond in May 2000. In addition to this payment, Moscow City has to pay \$17 million on international credit in February and \$25 million on a syndicated loan in March, as well as coupon payments of DM 46 million (\$25.4 million) and 39 billion Italian lire (\$21.7 million) on two separate Eurobonds in April and May.

GOVERNORS CRITICIZED FOR RESTRICTING GRAIN EXPORTS. Former Agricultural Minister and current Deputy Chairman of the Agrarian Party, Viktor Semenov, has criticized Russia's regional leaders for imposing restrictions on the export of grain from their regions. According to Semenov, 36 regions have instituted such restrictions, which will cause the price of bread to double by the beginning of next year. Since the beginning of 1999 grain prices have jumped from 900 to 3000 rubles per ton. Black market trade in the grain sector has risen from 15 to 25 percent.

Semenov addressed his grievance to the Federation Council in hopes that the remaining regional leaders from non-agricultural regions would speak out against the

restrictions. He felt that the federal government was in no position to control the regional executives. The Federation Council has not yet responded to Semenov's concern.

Even if the export bans are lifted, there is still insufficient grain in the country to fulfill Russia's needs. Semenov claims that Russia needs the USA to donate at least \$1 billion worth of fodder seed. To avoid a food crisis Semenov has suggested introducing railroad tariff privileges for transporting grain and repealing customs duties on importing cheap fodder. (*Kommersant Daily*, 15 October)

PATTERNS OF REGIONAL DEVELOPMENT

PRO-GOVERNOR ST. PETERSBURG LEGISLATOR MURDERED. St. Petersburg Legislative Assembly member Viktor Novoselov was murdered on 20 October in Russia's northern capital. The murder, one of the most important political events in the city this year, is comparable in significance to the murder of Vice Governor Mikhail Manevich in August 1997 (see *EWI Russian Regional Report*, 21 August 1997).

Novoselov was one of St. Petersburg's best known politicians and had been the leading candidate for election to the speakership of the city's legislature (http://www.parlament.spb.ru/priem/31_deputat.html). Although St. Petersburg elected its legislature in December 1998, the body has yet to choose a speaker. The next attempt had been scheduled for 20 October and would have pitted Novoselov against Sergei Mironov.

Novoselov entered public service in 1990, when as the head of a company that repaired the city's heating networks and roads he was appointed the first deputy chairman of the Moscow Raion Ispolkom. In 1991, he was elected chairman of the Moscow Raion Soviet. He began to build his political image at this time and it has not changed since then.

He focused on providing services and utilities to his district. Even without his efforts, Moscow Raion is distinguished by the high living standards of its residents, developed infrastructure, and relative security. Many members of the intelligentsia and new middle class live in the area. The region tends to support democratic candidates and anti-corruption crusader Yurii Boldyrev is seeking a State Duma seat there in District 212.

Nevertheless, from the beginning of his career, the media constantly claimed that Novoselov was somehow connected to the shadow economy. Many observers openly said that he had ties to the so-called Tambov crime group. However, Novoselov was never charged with any legal violations.

In 1993, when he was the head of the St. Petersburg branch of the Federal Migration Service, Novoselov was the victim of a bomb blast that deprived him of his legs, leaving him confined to a wheelchair. This tragic event only increased his popularity as he became an outspoken advocate of better services for the handicapped. Even the Russian Orthodox church recognized his service. He then won election to the city's Legislative Assembly in 1994.

After being reelected to the city council in 1998 with 67.5 percent of the vote, Novoselov loyally supported Governor Vladimir Yakovlev. His last public statement reflected his ambitions and populist touch (<http://www.vsp.spb.ru/common/inter/interview.asp?action=show&sid=32&iid=111>). He blamed the failure to elect a speaker on the unprofessionalism of the majority of deputies

and was convinced that he would continue in a leadership position. He criticized State Duma candidates for spending so much on advertising and called on them to instead contribute the money to improving the city or supporting the church.

Novoselov's death is a significant blow to Governor Yakovlev. The governor has lost a powerful supporter within the Assembly at a time when he particularly needs one, following the controversial vote to move the gubernatorial elections up to 19 December. Now there will also be an increased interest in Novoselov's potential criminal connections. Similar rumors have dogged Yakovlev since he was elected and are his main liability in the campaign. The electorate in St. Petersburg is strongly mobilized against crime now and this heightened activity could cause problems for Yakovlev's reelection effort.

The on-going series of assassinations in St. Petersburg hurts Yakovlev's reputation with his colleagues in the Federation Council because they view him as the weak leader of heavily criminalized city. Former St. Petersburg Mayor Anatolii Sobchak, who plans to run for governor in the December elections, has already landed a heavy blow on Yakovlev by getting the federal authorities to announce "serious measures" to combat the criminal situation in the city on the Neva

(<http://www.rusline.ru/index.html?news=4410>).

Two suspects have already been detained on suspicion of committing the murder (<http://www.rusline.ru/index.html?news=4362>). - Lyudmila Bogomolova in St. Petersburg

YAROSLAVL GOVERNOR DROPS OUT OF OTECHESTVO. In addition to electing representatives to the State Duma on 19 December, Yaroslavl will also elect its mayor and governor. At least four contenders plan to compete for the governor's seat: incumbent Anatolii Lisitsyn, Yaroslavl Oblast Duma Speaker Sergei Vakhrukov, Yaroslavl Communist leader Vladimir Kornilov, and Otechestvo-Vsya Rossiya candidate Yevgeniya Tishkovskaya.

Lisitsyn did not expect to see Tishkovskaya among the list of contenders, as he himself had joined the Otechestvo Political Council when it was originally established. However, in September the governor announced that he was leaving Otechestvo. Lisitsyn made this decision following the appearance of reports in the media that Luzhkov might encounter problems with the Central Electoral Commission if he simultaneously stood as a candidate in the Moscow mayoral race and on the Otechestvo federal party list for the State Duma. That issue has since been settled with the Central Electoral Commission determining that a candidate may run simultaneously in both races and choose which position to accept in the event of winning more than one post.

During that period, many criticized Governor Lisitsyn for considering taking a spot on the Otechestvo list as a back-up in case he was defeated in the gubernatorial election. To avoid being smeared with these accusations, Lisitsyn left the movement to concentrate solely on his gubernatorial campaign. According to Lisitsyn, he and Luzhkov remain friends, however Luzhkov has not made a similar statement.

On 26 September Otechestvo-Vsya Rossiya held a congress, which Lisitsyn did not attend. The congress delegates unanimously supported Tishkovskaya as the movement's candidate for the gubernatorial election. The bloc's leaders Yevgenii Primakov and Luzhkov expressed their own personal support for Tishkovskaya.

According to Tishkovskaya, primary attention in her campaign will be given to women's rights. With this decision, it is clear that Lisitsyn has lost Luzhkov's support.

This is not the first time Lisitsyn has left a political party. In September 1998 he dropped out of Our Home is Russia, disassociating himself from the "party of power that let the ruble collapse."

The remaining candidates are also being supported by leaders at the federal level. Vakhrukov is representing Yabloko. At the Yabloko oblast branch's fourth congress it was decided that all of the party's strength would go to supporting Vakhrukov's candidacy, and Yabloko leader Grigoriï Yavlinskii has personally promised his support to Vakhrukov. The Yaroslavl regional representations of the Union of Patriotic Forces and the Communist Party of the Russian Federation are supporting Kornikov's candidacy. This leaves Lisitsyn as the only independent candidate in the elections. - Ilya Kravchenko in Yaroslavl

OBLAST, CITY BUDGET BATTLES CONTINUE IN NOVOSIBIRSK. As Governor Vitalii Mukha and Novosibirsk Mayor Viktor Tolokonskii continue battling to win this December's gubernatorial elections, their conflict has significant consequences for the region's budgetary policies. Novosibirsk residents have not forgotten the battles this spring surrounding the adoption of the oblast's 1999 budget. In that fracas, the city of Novosibirsk lost one quarter of its tax income. Many members of the Oblast Duma thought that that budget had been adopted for political rather than economic reasons and subsequently decided to adopt standards defined in legislation to be used in adopting future budgets. Under current practices, the amount a city or rural area of the oblast receives from the oblast budget is highly subjective. Thus in the spring the deputies created a conciliatory commission, which came to the conclusion that it was necessary to adopt state-defined minimum social standards which would determine the norms for distributing state funding more equitably.

This problem is particularly relevant again as the oblast begins work to adopt its budget for 2000. In determining the norms set for the budget, the governor has sent the mayor a letter telling him that financing norms should be determined on the level of 1998. The mayor was extremely unhappy to receive such a letter. Unfortunately, the governor's proposed level of oblast support is not realistic because the city's costs have gone up dramatically in the last several months due to rising fuel costs and the raise approved for public sector employees effective 1 September. Many expenses are simply not taken into account, such as the cost of the city subway, subsidies for the poor, expenses associated with musical and art schools, and many others. Overall, the oblast proposal neglects 1.3 billion rubles worth of city expenses. Additionally, there are a number of illogical differences between norms set for the oblast and the city. According to these norms, an oblast library should receive 1,713.5 rubles, while a city library gets only 194.3. Orphans living in oblast orphanages receive 45.5 rubles a month, while those in the city get only 30.7.

On top of everything else, the draft law setting budgetary norms is defective because it stipulates that the governor can personally change the amount each part of the oblast receives from the budget. This clause effectively negates the potential usefulness of the law. Thus, the oblast is once again heading into the same kind of conflict that it

faced in the spring and, as then, the level of social tension in the city is rising. - Irina Maslennikova in Novosibirsk

ELECTIONS 1999/2000

OTECHESTVO, YEDINSTVO BATTLE IN ROSTOV OBLAST... Otechestvo has been the party of choice for the regional elite in Rostov Oblast and all would be going well if not for the formation of the pro-Kremlin Yedinstvo party. Because Rostov Governor Vladimir Chub is one of the six governors in the Presidential Council, he could not join Otechestvo himself and thus delegated this task to his close deputies. Then, however, Chub signed the declaration of the 39, which called for holding honest elections (see *EWI Russian Regional Report*, 23 September). Later, however, Primorskii Krai Governor Yevgenii Nazdratenko explained to Chub that this document was really a manifesto for the new Yedinstvo party. Nazdratenko explained that the president expected him to support Yedinstvo candidates rather than Otechestvo nominees. Otechestvo-Vsya Rossiya (OVR) bloc leader Yevgenii Primakov has described this process as the Kremlin's attempt to "cut off the tail" of the OVR bloc, basically grabbing away its candidates so that it would not gain a strong representation in the State Duma.

The State Duma race in Volgodonsk's District number 143 is an example of this process. Here, Otechestvo's candidate is Viktor Topilin, the head of the Rostov Roads Department. His campaign staff has 700 paid positions. Despite his initial work as an Otechestvo candidate, Yedinstvo is already putting intense pressure on Topilin to switch his allegiance and he has not made a final decision about which party label he will use in the campaign. The pressure even includes threats to expose compromising materials at the national level.

Oleg Zenkov, who organized Yeltsin's 1996 campaign in the oblast has already traveled through many of the rural areas of the district telling people not to associate Topilin's name with Otechestvo. Clearly, the initial momentum that Otechestvo's campaign had gathered has now been checked. Everyone is waiting for Topilin to make up his mind about which party he will represent and the oblast administration is likely to adopt a more favorable approach to Yedinstvo in the near future.

Such coercion is further evidenced in district 145's race, in which Otechestvo-Vsya Rossiya's candidate has dropped out. Head of the Pervomai raion in Rostov-Na-Donu, Aleksei Dykan headed the city's Otechestvo branch, and his candidacy had been confirmed by the Otechestvo-Vsya Rossiya congress. Dykan claims that he decided not to participate in the elections due to the pleas of his Pervomai colleagues to continue his successful work in the raion. However, observers believe that the real reason Dykan has left the race was some sort of blackmail threat by Yedinstvo.

Yedinstvo put up its candidate for the 145 district race, Head of the Rostov police department Yurii Vertii, almost immediately after Dykan left the race. Many feel that Vertii's chances of victory over front-runner Communist Nikolai Kolomiitsev are better than Dykan's had been. Kolomiitsev has good connections in the district and there are no grounds to criticize his professionalism since the city is free of any apparent criminal groups. - Marina Svetlova in Volgodonsk

...BUT COOPERATE IN NIZHNI NOVGOROD. While Yedinstvo and Otechestvo battle it out in Moscow and some regions, they are working together in Nizhnii Novgorod. It is well known that the Kremlin set up the Yedinstvo bloc to drain support away from the alliance of Moscow Mayor Yurii Luzhkov and former Prime Minister Yevgenii Primakov. Both blocs are trying to gather as many governors as possible in their ranks and have divided the Federation Council into two.

In Nizhnii Novgorod, Governor Ivan Sklyarov is the leader of the Otechestvo bloc, while Presidential Representative Aleksandr Kosarikov is leading Yedinstvo. Although the two blocs are opposed to each other, Kosarikov is a strong ally of Sklyarov's (see *EWI Russian Regional Report*, 30 April 1998). There are several explanations for why Kosarikov is leading the pro-Kremlin bloc. Kosarikov himself says that it is out of his personal sympathies. Observers say that since Kosarikov is leading Yedinstvo's regional list, he may be seeking to actually take a seat in the State Duma. Yeltsin will likely remain in office for less than a year and his successor is likely to replace all of the presidential representatives in the regions. Thus, it is in Kosarikov's interest to start looking for a new job now. Another explanation is that since Sklyarov refused Moscow's offer to head Yedinstvo, he suggested that Kosarikov should do it in his place. In this sense, the governor is ensuring his position. Whichever bloc wins, he will still have a strong relationship with it.

Now all candidates must decide which political team they will support. In Nizhnii, at least, a peaceful process of dividing up the spheres of influence is now taking place. However, the federal authorities will naturally take a strong interest in how the blocs divide the districts among themselves. The situation has a strong potential for conflict and the outcome might upset the leaderships of the federal parties. - Yurii Rodygin in Nizhnii Novgorod

BABURIN TO GO IT ALONE IN OMSK. Deputy Duma Speaker Sergei Baburin's Russian All-People's Union (ROS) has not succeeded in finding any allies among Russia's other parties. Just a month ago he announced that he would be aligned with the Congress of Russian Communities and the famous anti-corruption crusader Yurii Boldyrev. But on 8 October he announced that ROS would participate in the elections in proud solitude, *Vash Oreol* reported in its 13-19 October issue. "I had negotiations with General Andrei Nikolaev, Spiritual Heritage leader Aleksei Podberezkin, Boldyrev and Movement to Support the Military leader Viktor Ilyukhin, but each of them wants to be number one on their party lists," Baburin complained sadly. Of course, he did not explain what they would get in return for giving him the first place on the list. Baburin is also unhappy that he will face up to twenty opponents in the campaign to win his Omsk Duma seat again. "They have declared war on me," he said.

Baburin sees the Otechestvo-Vsya Rossiya (OVR) bloc as his main opponent in the elections. He believes the party's demand to eliminate the financial basis for local self-government as the "most dangerous" element of its platform. "This demand is separatist and could lead to the dissolution of Russia," Baburin said characterizing local government as the "fundamental basis preserving the unity of the state." Baburin said that he was actually happy that the Kremlin had created "such a powerful iceberg as Yedinstvo" to counter the OVR bloc. - Marina Chukhlomina in Omsk

STEPASHIN SET TO WIN ST. PETERSBURG'S DISTRICT 209. Since August 1999 analytical attention has focused on St. Petersburg's State Duma district #209, which was supposed to be a battle between two political titans, former Prime Minister Sergei Stepashin (#2 on the Yabloko list) and State Duma Speaker Gennadii Seleznev (#2 on the Communist Party of the Russian Federation list). The press even began to call it the most important district in the country.

The district has stood empty since the murder of the previous office-holder, Galina Starovoitova, who was assassinated in November 1998. Thus many saw it as a good place to run since there was no incumbent in place.

The district leans more heavily toward pro-democratic candidates than St. Petersburg in general, and provides less support for the Communists and nationalists. In 1993, Mikhail Kisilev, who announced his affiliation with Yegor Gaidar's Russia's Choice in the last days of the campaign, won in the district. That year in the party list voting, the district supported Russia's Choice (27.5 percent), Yabloko (21.2), and Vladimir Zhirinovskiy's Liberal Democratic Party (LDPR) (15.8). Democratic Russia leader Starovoitova won in 1995, when the district also backed Yabloko (16.44 percent), Russia's Democratic Choice (13.97), the Communist Party (12.9), and Our Home is Russia (12.6). That year the LDPR's support dropped to 2.8 percent.

In polls conducted on 10-17 September, Stepashin has a clear lead with 63 percent of the vote, while Seleznev took only 14 percent. Despite methodological questions about the poll, it clearly showed that Seleznev was in trouble and he eventually withdrew from the race. Following his withdrawal, Yabloko leader Grigorii Yavlinskii jeered that the "Communists were giving up the 'cradle of the revolution' without a fight." Observers believe that Seleznev had been planning to run in the district for up to two years. His advisers knew the pro-democratic history and planned to present him as the candidate of social democracy. Stepashin's unexpected announcement that he would run in the district made Seleznev's job difficult, but not hopeless. The Duma speaker could have criticized Stepashin as being a "supporter of the Yeltsin regime" who was seeking the anti-Yeltsin Yabloko vote. Given the high fragmentation of the democratic electorate, he might have been able to eke out a victory in the one-round voting.

With Seleznev gone, the district is Stepashin's to lose as long as he does not make a strategic blunder. He has two campaign teams, one formed by Yabloko and one set up by former employees of the Ministry of Internal Affairs and the Federal Security Service, two of the power ministries that Stepashin headed. Of the other pro-reform parties, only NDR and Otechestvo-Vsya Rossiya have entered candidates, while the Union of Rightist Forces and Yedinstvo have decided not to compete in the race. One candidate represents the radical Communists while the rest are relatively unknown independents. - Daniil Tsygankov in St. Petersburg

CHECHNYA AND THE RUSSIAN REGIONS

INEXPERIENCED SOLDIERS RETURNING TO NIZHNI NOVGOROD.

Soldiers from the 22 Army who have served less than six months have started returning to Nizhnii Novgorod from Chechnya. They are being replaced by professional soldiers or draftees who have served more than a year and volunteer to remain in the battle zone. Following complaints from Tatarstan, President Boris Yeltsin issued a decree that said

that soldiers were not allowed to take part in the fighting unless they have more than a year's experience and volunteer to serve (see *EWI Russian Regional Report*, 23 September).

However, 179 soldiers of the original 611 from the spring draft have elected to remain in Mozdok. The commanders of the 22 Army say that these soldiers have refused to follow the order to go home and decided to stay at their base. Soldiers returning from the break-away republic confirm these statements. The Ministry of Defense said that it had to transfer men to the North Caucasus quickly when the fighting began and therefore did not have time to ensure that only experienced soldiers were sent. During the 1994-96 campaign, military commanders were criticized for sending untrained Russian soldiers to be slaughtered.

The situation surrounding the military action in Chechnya today is much different than the social response provoked by the fighting in 1994-96. The attitude of the political leadership and the ordinary people in Nizhnii Novgorod has changed completely. Public opinion opposed the fighting in the earlier period, and then Governor Boris Nemtsov was able to gather one million signatures against the war. Now, society is afraid of terrorism and knows what it is fighting against. According to a poll conducted by the Volga television company, asking people "How would you resolve the problem of Chechnya?" the answers were:

- 6.1 percent - independence
- 7.6 percent - blockade
- 11.4 percent - precision strikes
- 74.9 percent - complete defeat

The returning soldiers also report that the local population in Chechnya has a different attitude toward them. They said that the residents of the Chechen villages did not feel any hatred toward the Russian soldiers because they feared the Chechen fighters more. Many Chechens have fled the republic and are now living in neighboring regions. The soldiers said, "we went into the countryside and it was empty. There were a few fire fights with soldiers, however they were not Chechens, but mercenaries from Afghanistan and France." - Yuri Rodygin in Nizhnii Novgorod

CENTER-PERIPHERY RELATIONS

SHAIMIEV DEFENDS MASKHADOV AND LUZHKOVA. In a recent interview with the television company "Tatarstan," Tatarstan President Mintimer Shaimiev stated with conviction that "it is impossible" for Russia to win the war in Chechnya. According to Shaimiev, "It was necessary to hold negotiations with [Chechen President Aslan] Maskhadov before putting troops on the territory of the Chechen Republic. We did not even hear Maskhadov out. Look at how many months the events in Dagestan have dragged on without any dialogue on the federal level. Regardless of whether the federal authorities accept his position or not, today Maskhadov is the President of the Chechen Republic."

By establishing puppet governing institutions (such as reviving the 1994 Chechen parliament) and announcing on 1 October that Maskhadov was not elected in accordance

with Russian law, Moscow is proclaiming the present official government in Grozny illegitimate. One confirmation of this is the proposal from the Deputy Secretary of the Russian Security Council, Vladimir Vasilev, to refrain from using the word "president" when speaking of Maskhadov (*Kommersant Daily*, 16 October).

In direct contradiction to this position Shaimiev stated, "They claim that there are other legitimate organs of authority in Chechnya, but why did they not speak about this before when Maskhadov and Yeltsin signed the peace agreement? Really, were they not legitimate then? If Maskhadov is not the president, if he is not legitimate, then the peace agreement should not have been signed. But it was signed and regarded as an enormous achievement settling the Chechen problem."

In the interview Shaimiev also defended Moscow Mayor Yuri Luzhkov, his colleague in the Otechestvo-Vsya Rossiya bloc. In answer to the question, "How do you feel about the special regime Luzhkov introduced in Moscow [forcing the re-registration of all residents from outside of Moscow City]?" Shaimiev stated, "I feel that this is a necessary measure...Emergency measures to restore order were necessary. That is why restrictions were introduced."

Shaimiev agreed that there are violations in the measures Luzhkov adopted against people from the Caucasus, but at the same time he stated, "If these actions are not faultless from a legal point of view, then suggest some other options...But to simply dwell on the negative aspects of the Moscow mayor's actions, I feel, is immoral." In this respect the Tatarstan President has not changed from his old position as a representative of the Soviet nomenklatura. He never believed that skirting the law was a grave sin, especially when it is necessary to defend his friend Luzhkov. - Midkhat Faroukshin in Kazan

FEDERATION COUNCIL

GOVERNORS LOOK TO INTERNET FOR SOLUTION TO HIGH FUEL PRICES. In addition to voting to leave Procurator General Yurii Skuratov in office against President Yeltsin's wishes, the Federation Council's 13 October session also examined the question of preparing Russia for winter. Every year with the approach of winter, providing residences and enterprises with heat is problem number one for regional leaders. Every year the governors criticize energy suppliers for charging too much, while the suppliers castigate regional governments for not paying for the energy they consume. This year, however, there were some constructive solutions. Fuel and Energy Minister Viktor Kalyuzhnyi and the governors agreed to reduce the number of middlemen between the energy producers and the regional customers, bringing producers and consumers into closer contact. This step will eliminate some of the corruption involved in the process. Additionally, the ministry preliminarily agreed to set up a web site to be updated daily with fuel oil and gas price information. Access to this information will help regional leaders avoid paying too much for their energy supplies.

Tver Oblast Governor Vladimir Platov pointed out that energy prices are rising and it is increasingly difficult for the regions to pay them. This year the federal government has kept the easiest taxes to collect, the value-added tax and income tax, for itself, leaving the regions even worse off than usual. Platov also reminded the government that Former Prime Minister Yevgenii Primakov had promised that the budget

would be corrected every quarter depending on the market situation and price changes, but this is not happening. Platov called on the federal government to give the regions more money to pay their energy bills.

Kalyuzhnyi said that his ministry was directing fuel only to those regions that had given their cities priority funds to buy it. The minister recognized that given their deficits, the regions often had trouble deciding whether to pay public sector salaries or buy fuel. He stressed that buying fuel should be the first priority. He said that the government had allocated an extra 10 billion rubles for the regions, but that it was now necessary to "beat out" this money.

Kalyuzhnyi pointed out that his ministry had limited petroleum exports abroad to increase the supply to the domestic market. Also the ministry had forced the producers to sell fuel at below-market prices, saving the regions an estimated 8 billion rubles. However, Kalyuzhnyi said that these were only temporary measures that could not last. In their place, he called for increasing export duties on heating fuel. He also denounced the use of middlemen, pointing to an example in Vladivostok where a local refinery buys its fuel after it passes through the hands of 40 intermediaries. Kemerovo Governor Aman Tuleev also called on regions to eliminate the use of middlemen when they purchase coal. He said that in most cases, 7-8 middlemen were involved in sales, driving up the prices for customers.

Magadan Governor Vladimir Tsvetkov proposed that the ministry post the prices being charged by all the different suppliers on the Internet since this would allow the regions to quickly check where they could get the best deal. Kalyuzhnyi gave this idea his preliminary support. - Olga Komarova in Moscow

REGIONAL RANKINGS

LATEST *EKSPERT* REGIONAL RANKINGS SHOW INCREASING ACTIVITY OUTSIDE MOSCOW. On 18 October *Ekspert* magazine published its fourth annual investment ratings of Russia's regions. This investment survey, which rates the investment climate of each region by classifying the regions' investment potential and risks, is prepared by the Ekspert Rating Agency's consulting group Ekspert-Geografiya. As way of an introduction to its survey, *Ekspert* pointed out that in the ratings compiled by the top economic journals and rating agencies such as Euromoney, Fortune, The Economist, Moody's, Standard & Poor's, and IBCA, Russia is always ranked in an unenviable position. It further noted that the 1998 financial crisis caused Russia to fall out of the top 100 most attractive countries. *Ekspert* champions the regions, stating that "Russia is a state of such sharp interregional economic and political contrasts that, even in spite of the crisis, each investor is able to choose a region for himself in accordance with his understanding of the acceptable risks and returns."

In delineating its groupings for overall investment climate, which weighs both investment potential and investment risk, the highest categorization *Ekspert* will give a region is 1A, which denotes that the region has high investment potential and low investment risks. Last year only Moscow and St. Petersburg achieved this mark, but this year Moscow Oblast joined their ranks. The top five regions in terms of investment climate is rounded out by Belgorod Oblast and the Republic of Tatarstan, which

maintained their rank of 2A, signifying that the regions have average investment potential and low risks.

The top ten regions for investment potential are (from 1 to 10): Moscow City, Saint Petersburg, Moscow Oblast, Sverdlovsk, Samara, Krasnoyarsk, Khanty-Mansi, Perm, Nizhnii Novgorod, and Kemerovo. This group is only slightly changed from last year. Tatarstan dropped from 9 to 14, and Kemerovo moved up from 11 to 10 to fill in the gap. Samara jumped up two spots from 7 to 5, pushing Krasnoyarsk and Khanty-Mansi each down one notch. The three regions marked as having the lowest investment potential are Agin-Buryatiya, Koryak, and Nenets. The 1998 last place finisher, the Evenk Autonomous Okrug, moved up to 85th place this year. Of all the regions, Leningrad Oblast showed the greatest improvement in its investment potential, moving up 13 points from 1998 to the 22nd spot. Amur and Komi each moved up 7 points, to 47 and 44, respectively. Tomsk Oblast had the greatest drop in investment potential among all the regions, moving down 10 points to 56th place, primarily due to decreases in its production and financial potential. Other regions whose investment potential dropped by 5 or more points are Omsk, Kaluga, Sakhalin, Tatarstan, and Tyumen.

Ekspert's investment risk rating considers the impact of political, criminal, economic, financial, legislative, and ecological risk factors in each region. The regions with the lowest risk rating (from 1 to 10) are Moscow City, St. Petersburg, Tatarstan, Belgorod, Kaliningrad, Moscow Oblast, Novgorod, Nizhnii Novgorod, Tver, and Yaroslavl. Dagestan, Ingushetiya, and Chechnya were deemed the riskiest regions, as they were last year. Udmurtiya showed the greatest improvement in the investment risk rating, moving up its position 41 points to rank at 36. The republic's dramatic progress was due to success in lowering its criminal, political, and legislative risks. Other regions who improved their risk rating by at least 20 points include Kalmykiya, Gorno-Altai, Perm, and Kirov. In addition to these regions, 11 others moved up by at least 10 points by lowering their investment risks. Fourteen regions have increased their investment risk rating by at least 10 points. Arkhangelsk tops off this group, having dropped 27 points to rank at 71. Kursk and Astrakan each dropped 23 points to fall to 42 and 47, respectively.

Regarding Russia's overall investment climate, *Ekspert* noted that the volume of domestic investment decreased by 6.7 percent in 1998 and that the volume of foreign direct investment was reduced by 14 percent. However, this decline in investment activity did not impact all regions uniformly. Leningrad Oblast, for example, increased its investment potential, decreased its investment risks, and attracted more domestic and foreign investment.

Ekspert also pointed out that over the course of the past year more direct foreign investment was directed to the regions. From the period 1993-1998 Moscow boasted 43.9 percent of Russia's foreign investment. In 1997, it attracted a whopping 78.42 percent, but in 1998 it dropped to just 23.9 percent. This was partly because the amount of investment in Moscow dropped considerably from \$3.1 billion in 1997 to \$0.8 billion in 1998. In 1998 foreigners invested 9.6 times more money into Moscow Oblast, 14.5 times more into Krasnodar Krai, 5.6 times more into Leningrad Oblast, and 9.9 times more into Irkutsk Oblast. Sverdlovsk Oblast has also experienced an upsurge of foreign investment. According to *Ekspert*, of the overall volume of foreign investment the region received in 1993-1998, 90 percent was achieved in the past 2 years. Yet, although more foreign investment is finding its way into the regions, it continues to be channeled into

the most well known provinces. Aside from Moscow and St. Petersburg, the regions that marked foreign investments of at least \$100 million in 1998 were Moscow Oblast, Samara, Novosibirsk, Krasnodar, Sakhalin, and Sverdlovsk.

Thus, the main trend in direct foreign investment is away from Moscow. Less money is flowing into Moscow and more is flowing into other regions. The smaller amount of money going into Moscow is clearly a negative sign for Russia, but the growing relative and absolute strength of the regions is a major positive development.

POLITICAL ECONOMY

IRKUTSK FEARS TOLLING TO BE CANCELLED AT YEAR'S END. Russia is planning to cancel the use of tolling in the metals industry at the end of this year, according to Tax and Collections Minister Aleksandr Pochinok. Tolling is the system that allows Russian aluminum smelters to import raw materials, process them, and reexport them without paying large sums to the state in customs duties. Since Russia does not produce enough raw materials on its own for the smelters, they are reliant on foreign supplies. Pochinok argues that the plants already have numerous export opportunities and that the state should help them by opening markets for them, such as in the US, but that allowing them to continue to avoid paying taxes is unacceptable.

In April 1998, then Prime Minister Sergei Kirienko had canceled tolling operations beginning in January 1999 in order to increase state revenue, but then First Deputy Prime Minister Yurii Maslyukov restored them in November (*EWI Russian Regional Report*, 5 November 1998). Now the federal politicians in favor of abolishing these tax credits to increase state income may be in a more powerful position to enact their desired policies than they were last fall.

In other words, the minister wants the factories to use their own funds to buy the raw materials they use. Naturally all of Russia's aluminum factories are extremely concerned by the resumption of the campaign to abolish tolling. Despite what the minister thinks, the enterprises do not have sufficient funds to finance their production processes. Irkutsk's two aluminum plants require many tens of millions of dollars to pay for one production cycle. Moreover, no Russian banks are in a position to provide that kind of money today. And even if they were, they would likely charge outrageously high interest rates.

Non-ferrous metallurgy is one of the most lucrative industries in Russia today. Production at Irkutsk's two plants was 4 percent higher during the first ten months of this year than it was during the same period last year. Abolishing tolling could lead to reduced output and a deterioration in the social situation in the oblast, according to Deputy Governor Aleksei Sobol. Both of Irkutsk's plants are crucial to the economies of the cities where they are located. The Irkutsk Aluminum Factory provides 68 percent of the income for the city of Shelekhov and the Bratsk Aluminum Factory provides 44 percent of the income for the Bratsk budget.

Local observers believe that abolishing tolling is only possible if the state is willing to provide massive financing. Such financing will only be possible in the long-term future since the state now does not have enough money to resolve its own problems.

VOLGOGRAD OBLAST LEADERSHIP HOPES TO CUT DEAL WITH

GAZPROM. Volgograd Oblast First Vice-Governor Vladimir Kabanov held a briefing with journalists last week at which he spoke of the oblast's critical position in its relations with Gazprom. Last year gas consumption fell by 13 percent, and local energy producers have incurred a 4 billion ruble debt to the giant gas monopolist. According to Kabanov, Volgograd Oblast has the sixth largest debt in Russia and is lucky that it has not yet been cut off from its gas supply.

The administration of Volgograd Oblast feels that a structural reorganization of the oblast's gas complex might improve the situation. In particular, it supports Gazprom subsidiary Mezhhregiongaz's plans to acquire a controlling stake in Volgogradgorgaz, which transports gas to city consumers. Several months ago Gazprom purchased a stake in an analogous company, Volgogradoblgaz, which manages gas networks in the oblast's raions.

However, the leadership of Volgogradgorgaz believes that the oblast administration is negotiating with Gazprom behind its back at the expense of the profitable company's stockholders. According to Volgogradgorgaz General Director Aleksandr Aksenov, 72 percent of the company's stock is controlled by the workers' collective. The oblast administration does not have a legal way to take over the company's ownership. Volgogradgorgaz is among the top five gas distribution organizations in the country.

Not long ago the head of the Volgograd branch of Mezhhregiongaz, Vladimir Melnikov, met with the Volgogradgorgaz workers. In response to Melnikov's arguments regarding the necessity of concentrating all technological steps "from extracting gas to delivering it" under one management, representatives from the collective expressed fear that if Mezhhregiongaz absorbs Volgogradgorgaz, the city organization would lose control of its profits. Since Gazprom generates most of its revenue from selling gas on the foreign market, the collective sees Gazprom's acquisition of Volgogradgorgaz as the energy giant moving one step closer to cutting off gas supplies to Volgograd, particularly its energy enterprises and top factories. Aksenov feels that the oblast authorities, who are sinking further into debt with Gazprom, are planning an expensive "present" for Gazprom leader Rem Vyakhirev's visit to the city at the end of October.

Volgograd Deputy Mayor Yurii Strelnikov has supported the position of the Volgogradgorgaz workers collective, stating that "it is more advantageous for the city to have two gas monopolists on its territory than one." This statement only contributed to the already tense relations between Volgograd's city and oblast authorities.

The controversy surrounding the fate of the Volgograd city gas company reflects several issues that have appeared in the Russian economy over the last several months. First, the unusually high activity of workers' collectives in defending their ownership rights demonstrates the growing role of the collectives' self-consciousness regarding changes in ownership.

Second, Gazprom's attempts to acquire even relatively small businesses involved in distributing gas in the Russian regions is probably a reaction to demands by some to divide the company into two separate entities, one that extracts gas and another that transports it. Attempts by Volgograd's Communists to play into Gazprom's hands by strengthening its monopolist position on the eve of the elections might bear witness to

subtle political calculations as the oblast leadership seeks to strengthen its position. - Ivan Kurilla in Volgograd

FOREIGN TIES

LUKASHENKO IN KALININGRAD. Belarusian President Aleksandr Lukashenko visited Kaliningrad Oblast on 14-15 October to sign a treaty on long-term cooperation between his country and the oblast. On the Russian side, the deputy minister for CIS affairs signed the treaty, while Deputy Prime Minister Leonid Kozik signed for Belarus. The treaty calls for setting up a system of transit through Belarus to the rest of Russia and increasing trade between Belarus and Kaliningrad. During the last two years, trade has risen from \$40 million to \$150 million. Belarus intends to use Kaliningrad ports to transport international freight. The republic will also use Kaliningrad's fishing quotas. Additionally, it will finance the construction of ships at Kaliningrad piers. The two sides will create a new commission that will jointly regulate their cooperation. Kaliningrad Governor Leonid Gorbenko and Kozik will chair this body. - Yekaterina Vasileva in Kaliningrad

DISPATCHES FROM THE FIELD

SAKHALIN: THE DYING CORNER OF THE EMPIRE

By Mikhail Alexseev, Appalachian State University

YUZHNO SAKHALINSK - Sakhalin Island, well endowed by nature and located at Russia's juncture with the East Asian economic powerhouses of Japan and Korea, seemed destined to prosper when Communism and the centrally-planned economy collapsed. Yet, my observations and interviews on Sakhalin in late September strongly suggest that these expectations, as vibrant as they were in the late 1980s and the early 1990s, have not been realized and are unlikely to be realized any time soon.

In Sakhalin, the failure of the Russian state to ensure basic economic functions is striking. Electricity and central heating work intermittently in the harsh fall and winter, with outages lasting longer than periods when things work in most of the island's smaller cities and villages. While I was in the capital, Yuzhno-Sakhalinsk, the lights blinked several times at the Hotel Sapporo where I stayed (suggesting that the hotel was switching to its back-up generator). At the same time the lights in the five-story apartment building opposite the hotel would all go off all at once. When this happened, late evening traders in the street kiosks quickly lit candles so that they could continue serving customers. During my visit, a local paper ran a story recalling the failure of the Dolinsk electric plant last winter, describing the misery it caused local residents (*Gubernskie vedomosti*, 24 September). Last year, central heating was turned on only in December. In many frozen houses, heat supply pipes exploded, and whole pipe networks had to be replaced. Such tales were numerous as the local media sounded yet another warning of impending winter woes.

The water supply is no more reliable than the heating system. More "prestigious" districts in downtown Yuzhno-Sakhalinsk have access to a steadier supply, but even there

residents cannot count on hot water when they turn on the faucet. Taking a shower is a luxury. In other districts, the residents are thankful for even blackened or rusty water out of their taps. Little wonder that I had to pay almost twice the price for a hotel with normal amenities in Yuzhno-Sakhalinsk (\$126 per night at the Sapporo) than I paid for a room at the Rossiia on Moscow's Red Square a few days earlier (\$65 per night).

Maintenance of the city's multistoried apartment buildings is a difficult problem as well. Two nine-story gray concrete buildings in downtown Yuzhno-Sakhalinsk are missing large chunks from some of their component concrete panels. They are marked with signs painted in large red letters on the walls: "*Ostorozhno, obval fasada!*" (Warning: falling wall!). Nevertheless, they are not being evacuated. One building was marked with the tragically comic warning, "*Ostorozhno, s kryshi padaet*" (Warning: things falling from roof). Other warning signs marked unfinished buildings with wide gaps in the concrete skeleton connectors and badly angled concrete posts. The neglect of maintenance and shoddy construction work struck me as irresponsible on an island that lies on the Pacific earthquake rim stretching from Chile to China. In late September, there were tremors in the Kuril Islands and a 7.6 scale earthquake in Taiwan.

The local authorities are unable to enforce tailpipe emission standards on the city's automobiles and the city was invariably coated in white smog every morning. The car emissions are complemented from time to time by white smoke coming from the municipal garbage dump located just south of downtown. On a short trip to the ocean shore, the dump struck me as being too close to the city and badly kept. On my way back not more than two hours later, the whole dump was covered with white smoke and a pungent odor permeated the interior of my cab. The cab driver told me matter-of-factly that the garbage is burned often because the city claims it has no funds to build incinerators that would be more environmentally friendly.

The highest crime rate in Russia, lack of job opportunities for most residents, and remoteness from European Russia add to a strong sense of isolation and despair. Not surprisingly, a recent public opinion poll in Sakhalin by the Moscow-based Public Opinion Foundation found that political alienation is rivaled only by support for the Communist Party. Close to 40 percent of the respondents said they trusted no parties, while 30 percent favored the Communists. Most residents vote with their feet, if they can afford to, by leaving the region for central Russia. At the same time, deteriorating living conditions and scant medical services means that the death rate exceeds the birth rate. The population declined from 713,000 in 1991 to 631,000 in 1996.

The logical place to look for hope is on the oil shelf, around the city of Okha, in the northeast of the island. I happened to be in Sakhalin when the papers announced that the Sakhalin Energy Investment Company made the first shipment of shelf oil, when the Simaster tanker owned by Mitsui left the Vitiaz oil recovery complex for Korea on 21 September, carrying 81,000 tons of crude. The oil is extracted offshore at the Molikpek platform, a completely refurbished platform once used in the North Sea. From Molikpek the oil is pumped through an underwater pipeline to a floating oil storage facility, Okha. Okha is a refurbished tanker rented by the Sakhalin Energy Company from a joint venture where one of the key partners is the Far Eastern Sea Company with headquarters in Yuzhno-Sakhalinsk. This was the first export shipment since oil production began at Vitiaz on 5 July 1999.

Some (although apparently not much) of the energy investment visually affects the economy and social life in Yuzhno-Sakhalinsk. The former Communist Party headquarters, an impressive white stone building downtown, is now called "Sakhincenter." It housed the Sakhalin Energy Company, oblast government agencies related to foreign economic interactions, well-stocked shops, a cafeteria that serves a combination of U.S. fast food and Russian cuisine and the American Business Center. Next to the Sakhincenter, construction was in full swing for a new American business headquarters. Prices in the restaurants at the Holiday Entertainment Center would be considered normal in the US, but they are too high for most local Russians. Almost all visitors in both restaurants when I was there were European, American, Korean, or Japanese.

Despite these amenities, the oil companies do not have an easy job. The oil executives who agreed to be interviewed appeared determined to proceed with their offshore projects. They do, however, face high transaction costs. About 30 different government agencies may impose regulations on them at any time and often in a rather arbitrary fashion. Failure to comply with a single regulation sometimes is enough to halt operations.

Ordinary Russians to whom I talked, hotel employees, taxi drivers, salespeople, phone operators, dismissed my suggestions that some day the energy wealth would trickle all the way down to them. These casual conversations paint the same picture of public disbelief in the coming oil prosperity as do local opinion polls. Government officials whom I interviewed together with Judith Thornton, an economics professor from the University of Washington, would express some optimism, but only very cautiously.

The barriers blocking the oil wealth from being used to spur local economic development are legion. The regional government officials have little incentive to maximize revenues locally because they say the federal government will respond with lower subsidies from Moscow to Sakhalin. Raions have little incentives to increase profits, in a similar fashion, because raion taxes are changed by the oblast government every year, redistributing revenues from more to less successful districts. Then districts do the same to the cities subordinate to them. This hierarchical taxation system results in nested disincentives to generate profit, part of what Thornton calls an institutional trap. Caught in what economists describe as a "bad equilibrium," officials acquire a stake in the inefficient economy because they have more opportunities for private gain.

Another huge problem is lack of transparency. For example, mystery shrouds a recent incident when on 28 September the hoses connecting the Moliktek platform to the storage tanker were severed in quiet seas. Sakhalin Energy was on the spot in 15 minutes cleaning up the spill, which the company estimated at two barrels of oil. One barrel of oil was cleaned. A few days later, however, the environmental monitoring agency in Yuzhno-Sakhalinsk announced that the spill amounted to between three and four tons of crude and that it would impose penalties on Sakhalin Energy. Independent media and the courts are still weak in Russia generally, and the situation is only exacerbated by Sakhalin's remoteness. Playing by the rules is hardly a social norm. In fact, many exceptions are allowed in economic and financial regulations that give businesses fewer incentives to play by the rules, while encouraging them to carve out special deals with government agencies behind the scenes.

For the ordinary Russians on Sakhalin, the symbol of this institutional trap and the meager hope that their lot will improve is the "American village," a tightly-guarded, gated community where foreign companies build houses for their employees with Western-standard amenities. To the local Russians, however, it demonstrates that the energy development will go on, with some friction but also with collusion on behalf of local political and business elites. In the meantime, the high fence sealing the American village from Yuzhno-Sakhalinsk is associated with seemingly insurmountable barriers for making energy revenues work for the local economy. If anything, this Kuwait on the Pacific will have to wait.

Mikhail Alexseev traveled to Sakhalin 19-24 September as part of a project on the security implications of political and economic developments in the Russian Far East. The project is run by the National Bureau of Asian Research in Seattle with major funding from the Carnegie Corporation of New York. The views presented here represent those of the author.

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BREAKING NEWS

POLITICS

FAR EAST GOVERNORS MEET PUTIN COLDLY. Prime Minister Vladimir Putin met with the governors in the Far East and Trans Baikal interregional association on 27 October. His speech listed some recent successes in the economy and loftily described plans to create a "unified national center" that would develop a "concept of economic and social development for Russian in the long-term future." But the governors wanted to talk about their immediate concerns, such as preparations for winter (*Nezavisimayua gazeta*, 28 October). The regional leaders blamed many of their problems on Fuel and Energy Minister Viktor Kalyuzhnyi and Anatolii Chubais's Unified Energy System.

REFERENDUM SET FOR KARACHAEVO-CHERKESIYA. After meeting with Karachaevo-Cherkesiya President Vladimir Semenov and Cherkessk Mayor Stanislav Derev, Prime Minister Putin announced that he had reached an agreement with the two former candidates for the republic's presidency, *Kommersant Daily* reported on 26 October. Semenov will now be allowed to work as the republic's president, but he will have to stand for a referendum on 22 October 2000, one year after the Russian Supreme Court certified his 16 May election victory. If the voters find his performance unacceptable, new elections will be held. On 22 October, the republic's citizens will also vote on whether to split the republic into Karachai and Cherkess units.

Putin apparently threatened Semenov and Derev by claiming that if they did not agree to a compromise, he would use all of the central government's force against them. Since the republic is heavily reliant on Moscow for subsidies, an accommodation was quickly found.

Semenov and Derev remain divided on the future of their North Caucasus republic. Semenov said that dividing it in two would set a "precedent that could blow up Russia." He vaguely called for eliminating ethnic divisions all together. Derev, on the other hand, thinks that it is time to "divide up the communal apartment." He would also split Kabardino-Balkariya, which has been relatively peaceful, but only after the 2000 presidential elections. Derev's supporters continued to protest in the republic on 25 October, although the numbers were down to 400, the *Moscow Times* reported.

The only thing the two leaders agreed on was the strong role played by Boris Berezovskii in working out the deal. They said that he had a good chance of being elected to the State Duma from the republic. Berezovskii himself told *Kommersant Daily* (22 October) that he had the will to bring the two peoples together.

YEDINSTVO'S CHANCES FOR ELECTORAL SUCCESS INCREASINGLY BLEAK. Yedinstvo, the recently established pro-Kremlin bloc of governors, has little chance of winning many votes in the December State Duma elections, according to an analysis by Igor Oleinik in *Ekspert* 25 October. None of the potential allies the bloc initially wooed have agreed to cooperate. The possibilities included Yabloko, Our Home is Russia, Vsyá Rossiya, and Golos Rossii. The Kremlin picked the top three leaders of Yedinstvo to stress that the bloc was free from corruption. However, the pro-Luzhkov media then began pointing out problems in the financing of bloc leader Sergei Shoigu's

emergencies ministry. Then other critics pointed out dark spots in the history of Tax Policeman Aleksandr Karelina's relations with Podolsk businessmen.

The main problem for the bloc is that its gubernatorial members are politically weak leaders from regions dependent on federal subsidies. Many of the most active governors are unlikely to be reelected and could face criminal charges once they leave office, including Kursk Oblast's Aleksandr Rutsnoi, Kaliningrad Oblast's Leonid Gorbenko, and Chukotka's Aleksandr Nazarov, Oleinik wrote. Kalmykiya President Kirsan Ilyumzhinov's participation is particularly strange and there is speculation that Moscow Mayor Yurii Luzhkov sent him to work in the bloc to destroy it from the inside. More influential governors like Sverdlovsk Oblast's Eduard Rossel quickly distanced themselves from the bloc.

PAPER PUBLISHES DETAILED LOOK AT OTECHESTVO-VSYA ROSSIYA.

Vremya MN published a detailed look at the campaign effort of the Primakov-Luzhkov-led Otechestvo-Vsya Rossiya. According to Politika Foundation analyst Vladimir Zharikhin, the party is not conducting a very effective campaign because many of its top organizers, including Sergei Yastrzhembskii and Georgii Boos, have no first-hand experience running campaigns. He believes that the bloc has done a poor job defining its candidates below the top three. Whereas Luzhkov's team once did a reasonable job of promoting him, now the bloc's media relations group is only reacting to developments, without really explaining what Luzhkov is planning to do. Luzhkov has also done a bad job of reacting to the media attacks on him, particularly those coming from Boris Berezovskii's Russian Public Television. In the same paper, however, Our Home is Russia campaign leader Vladimir Ryzhkov said that he thought the Otechestvo-Vsya Rossiya campaign was being run relatively professionally.

EXPERT INSTITUTE PUBLISHES FIRST RESULTS OF SINGLE-FACTORY TOWN STUDY.

According to the Expert Institute, 24 percent of Russia's urban population (25 million people) live in its 940 single-factory towns. In Kareliya, 77 percent of the urban population lives in such cities, the highest proportion in the country. Many of the people who live in these cities, which were built around one enterprise, are now surviving at basic subsistence levels, usually eating whatever they can grow themselves. Most of the voters in the cities support protest candidates such as the orthodox Communists and Vladimir Zhirinovskiy. Many of the towns have no future since their single source of employment is closed and they are located in the far north, but some could live on under current conditions. The institute is planning to study five of the towns in depth and then make recommendations to the Russian government on how to address this problem. (*Vremya MN*, 22 October)

ECONOMICS

US WON'T IMPOSE TARIFFS ON RUSSIAN STEEL. The US will not impose anti-dumping tariffs on imported Russian cold-rolled steel, according to an agreement reached last week, *Vremya MN* reported on 26 October. Without the agreement the US would have imposed a 100 percent tax on 19 December. Vologda's Severstal and Lipetsk's Novolipetsk Combine, the main producers of the cold-rolled steel were satisfied with

the agreement. The two sides also agreed on minimal prices for the Russian product. Now Argentina and Canada are considering imposing anti-dumping charges on Russian steel.

TNK PURCHASE ANGERS BP AMOCO. The Tyumen Oil Company (TNK) bought Sidanko-subsiary Kondpetroleum on 21 October in a deal that angered BP Amoco and raised additional concerns among Western investors in Russia, the *Moscow Times* reported 22 October. BP Amoco owns a 10 percent stake in Sidanko, whose subsidiary was sold for \$52 million, much less than the company's estimated value. BP Amoco considers Kondpetroleum to be its property, and declared the sale a violation of its shareholder and creditor's rights.

TNK said that the move was an important step forward in its plans to increase reserves and production capabilities. TNK is also expected to buy another Sidanko subsidiary, Chernogorneft, when it goes on sale in December for \$200 million. BP Amoco has been trying to preserve the value of its \$571 million investment in Sidanko, but has had little success as TNK outmaneuvers it in the courts. Kondpetroleum has an extraction capacity of 2.5 million tons of oil a year, while Chernogorneft has a capacity of 6.2 million tons.

TNK, close to Alfa Bank, extracts 18 million tons a year and refines 11 million tons. It has recently finished modernizing the Ryazan refinery. Its reserves could be as large as 3.4 billion tons of oil.

On 22 October, Yeltsin decreed that the state would sell off its 49 percent stake in TNK in a competition to be held by the end of this year, *Kommersant Daily* reported 26 October. A 40 percent share was sold in 1997 for \$835 million and Alfa gained a controlling stake by the beginning of 1998. The state tried to sell its stake last year, but there were no buyers. At that time the asking price topped \$800 million. Now, the government could ask for as much as \$1 billion. The only realistic buyers are the current owners since anyone else who bought the stock would not be able to put together a controlling stake.

TATARSTAN AIRPORT TO OPEN NEW RUNWAY. In May Kazan International Airport will officially open a new runway that will be capable of accommodating such jumbo jets as the Boeing 747 and the Airbus-310. The only other civilian airport that has a similar runway is Moscow's Sheremetevo. No other airport has built a runway in Russia in the last four years due to the general shortage of investment capital. Tatarstan invested 400 million rubles of its own money, using equipment purchased from the German firm Vergen. The airport also has French air traffic control equipment.

GOVERNORS BACK DOMESTIC TOLLING. As the Russian government nears an end-of-November decision on whether to discontinue the practice of domestic tolling, seven governors have sent a letter to Prime Minister Vladimir Putin asking him to continue the practice for another seven years. Foreign tolling is a practice that allows Russia's aluminum producers to import raw materials and export the metal without paying tariffs and the value-added tax. Domestic tolling provides similar breaks to smelters who use domestic sources of raw materials and then export the final result (see *EWI Russian Regional Report*, 23 April 1998).

The governors who signed the letter include leaders from Sverdlovsk, Irkutsk, Murmansk, , Chelyabinsk, Volgograd, Leningrad Oblast, and Komi. They fear that ending tolling will reduce the number of jobs that factories in their regions can provide, creating enormous social problems that they would then have to address. On the other side, the Ministry of Taxes and Collections wants to increase its tax collections from the non-ferrous metal industry. *Ekspert* (25 October) estimates that the people who organize tolling operations make about \$1.5 billion a year, because Russian aluminum costs about \$700 to \$1,000 a ton and sells on the London market for \$1,500. Russia exports 2.9 million tons of aluminum a year. Russia's ferrous metal interests also want to end the practice since they resent the breaks given to the non-ferrous metal factories. Finally, aluminum smelters who use foreign tolling want to end the use of domestic tolling since it would eliminate some of their competition. Foreign tolling was included in the Customs code and therefore would require State Duma and presidential approval before being abolished, but domestic tolling is based on a government decision.

NIZHNII FIRM FINDS NICHE IN BICYCLE MARKET. The Nizhnii Novgorod small business YuSV Titanovye velosipedy, which employs 18 people, has found a niche in the international high-end bicycle market by producing frames and forks for some of the world's leading firms, *Ekspert* reported in its 25 October issue. The founders of the company, physicists Yurii Fedoseev and Viktor Chururin, started it as a hobby. They met their first customer, Frame Technology, at a London bicycle race. Now the firm exports 95 percent of its products, selling between 500-1,000 bicycles a month, with unit costs ranging up to \$7,000. Most of their products are for firms that produce only dozens or hundreds of bicycles a year. Other customers include Shauff (Germany) and Van Tuyl (Netherlands).

NOVOSIBIRSK ELECTRODE PLANT SEEKS TO INCREASE EXPORTS. During the last two years, the Novosibirsk Electrode Factory has increased the proportion of the products it exports from 2 to 37 percent, finding customers in Norway, the USA, Canada, Italy, Romania, and Luxembourg. The plant plans to significantly increase its exports over the next two years. Unlike Russian customers who barter for 50 percent of the purchase price, foreigners pay in cash, making them particularly desirable for Russian producers. The plant currently has sales of \$3 million a month and hopes to raise this figure to \$10 million. Such income would be sufficient to finance its expansion plans. However, the Novosibirsk factory may not be able to find new Western companies and, by announcing its plans, it may simply have encouraged its Russian suppliers to seek higher prices, *Vremya MN* reported on 27 October.

SUN INTERBREW REPORTS HIGHER SALES, REDUCED EARNINGS. Sun Interbrew produced 13 percent more beer at its six regional breweries in the first half of 1999, but revenues dropped 52 percent to \$43.46 million. The brewery improved its profitability in the second quarter by producing more efficiently and cutting costs. The brewer uses Russian inputs and its plants are working at full capacity. Because the Russian beer market is growing so quickly, Sun's share actually fell from 12 to 11 percent due to strong competition from regional producers and other foreign makers. The

brewery raised prices by 22 percent over the first six months to keep pace with inflation. (*Moscow Times*, 27 October)

CENTER-PERIPHERY RELATIONS

YELTSIN APPOINTS PRO-NAZDRATENKO REPRESENTATIVE. After several months of contemplation Russian President Boris Yeltsin finally appointed a new representative to Primorskii Krai. He is Primorskii Krai Vice-Governor Valentin Kuzov, who is in charge of personnel issues in Governor Yevgenii Nazdratenko's administration. This post was previously occupied by Director of the Primorskii Krai Federal Security Service (FSB) Viktor Kondratov. Kondratov had become one of the governor's main enemies and as a result was removed from both his posts in February and March 1999 (see *EWI Russian Regional Report*, 25 February and 25 March).

Several observers surmise that Kuzov's appointment is the result of a political deal between the Kremlin and Nazdratenko. At first Nazdratenko joined the anti-Yeltsin Otechestvo-Vsya Rossiya (OVR) bloc, then left that bloc, and recently stated his ardent support for the Yedinstvo bloc, which was formed as an alternative to OVR. On 28 October Yedinstvo leader, Minister of Civil Defense, Emergency Situations, and Natural Disasters Sergei Shoigu arrived in Vladivostok. Although his official reason for the visit is to see how regions are preparing for the winter months, it seems likely that he will discuss Yedinstvo strategy with Nazdratenko. Shoigu did not visit Vladivostok in the past when the city was without power for 18 hours a day, lacked drinking water, and people were freezing in their apartments.

The pro-Nazdratenko mass media characterized Kuzov's appointment as "another outstanding political victory" of the governor's. This is the first time in Russia that such a high positioned member of the regional executive organ has been appointed the presidential representative in a region. Kuzov himself considers this decision "entirely well founded." In his first press conference he stated, "Russia's executive should work in close contact with the executive authorities of the regions as they are solving the same sorts of problems."

Kuzov, 47, was a nomenklatura party functionary. He has worked in krai power structures since 1986. Kuzov achieved regional prominence under Primorskii Krai's first governor, Vladimir Kuznetsov. After Yeltsin dismissed Kuznetsov in 1993 and sent him to the Russian Consulate in San Francisco, Kuzov developed a successful working relationship with Nazdratenko and in 1995 was appointed to head his administration. Everyone who knows Kuzov notes his prudence, intellect, and his crafty understanding of the unwritten rules of the game. Several have expressed the opinion that he is more than just an agent of influence for the governor.

However, Kuzov's first announcement is evidence that the governor has managed to establish yet one more powerful bulwark of support on the eve of his battle for reelection. The new presidential representative openly confirmed that the inference of his appointment as another victory for Nazdratenko was "not unfounded." Kuzov has openly criticized the krai дума, which is in opposition to the governor. He appealed to candidates and to the local media with calls "not to tolerate the use of dirty campaign methods in Primorskii Krai" since "according to available information, opponents of the present governor will use a variety of methods to discredit him."

The primary functions of the presidential representative are to inform the president of events in the region and to carry out presidential decrees. On the eve of elections, controlling the stream of information to Moscow could be extremely important. For example, on the day Kuzov was appointed to his new position, the police showed up at the door of former Vladivostok Mayor Viktor Cherepkov's campaign headquarters. The police claimed that they were carrying out orders to arrest Cherepkov's former deputy mayor, Sergei Markelov, who is under investigation for falsifying documents. Cherepkov stated that at the time of the police raid, papers containing 15,000 signatures necessary for him to register for the gubernatorial elections disappeared without a trace. - Yevgenii Popravko in Vladivostok

ELECTIONS 1999/2000

PRIMAKOV DISCUSSES STRATEGY WITH SHAIMIEV, BEHIND

LUZHKOV'S BACK. On 18 October former Prime Minister and head of the Otechestvo-Vsya Rossiya (OVR) movement, Yevgenii Primakov, made a brief visit to Tatarstan's capital, Kazan. Primakov's official reason for the visit was to participate in the work of the Russian Congress of Asianists. Primakov is regarded among the top Russian experts on that region. The other reason for the visit, which Primakov offered to journalists at the Kazan airport, was to meet with his friend Mintimer Shaimiev, president of Tatarstan.

On 22 October the newspaper *Respublika Tatarstan* offered some speculation as to the true reason for Primakov's visit. The newspaper pointed out that Otechestvo leader, Moscow Mayor Yuri Luzhkov, was not informed of Primakov's visit to Kazan. The news clearly irritated the Moscow mayor, whose relations with Primakov continue to worsen. Luzhkov's closest circles have been expressing increasing dissatisfaction that the former prime minister is using the mayor as a shield in his struggle with the Kremlin. The paper stated that Primakov had probably met with Shaimiev to discuss strategy issues not only for the parliamentary campaign, but also the presidential.

Primakov's sudden trip to Tatarstan raised a great number of questions. The article stated, "Our source, who is close to the leadership of OVR, confirms that certain information procured from Yeltsin's inner circle compelled Primakov to fly to Kazan. This information concerns not only the state of the president's health, but the date and conditions of conducting the presidential elections. The character of the information was such that Primakov, who himself has head of the security service, could not trust imparting it over any telephone line, even secure ones, and needed to fly to Kazan immediately to speak confidentially with Tatarstan President Mintimer Shaimiev." The discussion took place at one of Shaimiev's country residences. Bashkortostan President Murtaza Rakhimov, who was in Tatarstan, also took part in the meeting. According to the paper, the meeting between Primakov and the presidents of the two republics on their territories ruled out any eavesdropping from the Kremlin, "since all local federal representatives in Kazan, from the Federal Security Service to the Ministry of Internal Affairs, are under the complete control of the President of Tatarstan." Thus it seems that the real goal of Primakov's visit to Kazan was to change OVR's campaign tactics for the parliamentary and presidential elections should this new information change the present state of affairs. - Midkhat Faroukshin in Kazan

POLITICAL ECONOMY

KURSK OBLAST SEEKS TO END BARTER IN 2000. Kursk Governor Aleksandr Rutskoi has established a committee for emergency management headed by First Deputy Governor and Chairman of the Government, Boris Khokhlov. Rutskoi ordered Khokhlov to setup a system that will minimize the practice by which the oblast accepts tax payments in the form of barter payments and mutual debt cancellations while increasing real money income. Local enterprises are the main targets of the campaign.

The committee held its first meeting on 20 October. In opening the session Khokhlov tried to explain why the committee was necessary. In spite of the fact that in comparison to last year, payments to budgets of all levels and to various funds have increased, revenue is still significantly less than planned. This shortfall greatly complicates the oblast's financial situation since only 35.9 percent of taxes are received in monetary form. The remaining sums are processed through debt cancellation, which inflicts a serious blow on the economy and social sphere. Wage arrears to teachers, doctors, and other public sector employees have increased, and construction on public buildings like schools is being postponed. The situation is particularly serious since the majority of Kursk's schools are more than 50 years old.

In closing the session, Khokhlov reminded enterprise directors with payment arrears that they had less than two months to put the necessary documents in order to restructure their debts. Those who do not fulfill these demands will have to explain their situation at the next session and may face bankruptcy proceedings. Khokhlov stated, "I personally do not support such an extreme measure, which will be used only when all other possible methods fail to bring positive results. But this does not mean that we are adopting a peacemaking position. The present situation is truly extreme, and we must act accordingly. We have sufficient levers of influence over the obstinate enterprises." - Sergei Sarychev in Kursk

ULYANOVSK APPROVES LEASING AIRPLANES. The Legislative Assembly of Ulyanovsk Oblast recently adopted a law on leasing aviation technology. The law is intended to support Russia's largest airplane-builder, Aviastar, and stimulate demand for its products.

At present, no Russian airline is able to buy Aviastar airplanes, regardless of the fact that they are 30 percent cheaper than western models (foreign models comparable to Aviastar's TU-204 cost \$35-40 million, while equivalents of the AN-124-100 Ruslan sell for \$180 million). Therefore, Aviastar decided to try leasing its products and is now conducting negotiations with various organizations and financial institutions with the goal of creating a leasing company.

During his August visit to Ulyanovsk, then Prime Minister Sergei Stepashin signed a protocol agreeing to prepare a government decree supporting the leasing of aviation technology. The protocol included discussion of a state guarantee for investment credit and benefits for participants in the leasing process. Stepashin's order is still formally in place, although the federal government has not taken the action required for the project to be implemented. According to Legislative Assembly Deputy Dmitrii Podlozhnyuk, who developed the law, the steps the oblast has taken only go half way. It

allows local authorities to meet with the central government and say, "We did our part of the work."

Adopting the law does not mean that the leasing company will be created quickly. It is not easy to find even the \$30 million necessary for one TU-204. According to Podlozhnyuk, the law does not generate a company, but the conditions to create one. The law defines the system of tax privileges for all participants in the leasing process: the leasing company, consumers, and even the bank or credit institution that provides the investment for the company. The principle of this and other oblast laws is clear: to offer the maximum benefits to ventures in their early stages so that the oblast will receive large tax revenues once the firms begin functioning. - Sergei Gogin in Ulyanovsk

ENERGY ISSUES

CUTTING ENERGY TO CHECHNYA ALSO HURTS DAGESTAN. The Russian government has decided to cut off the supply of electricity and gas to Chechnya. As a result, Dagestan is also left without gas since the two gas pipelines that supply the republic (Makat-North Caucasus and Mozdok-Kazimagomed) run through Chechnya. At first Dagestani consumers used gas from storage tanks located next to the pipeline, which runs from Dagestan's borders with Chechnya to Azerbaijan. This reserve ran out two weeks ago and now the entire republic except for the capital, Makhachkala, and the satellite city Kaspiisk, is left without gas. The capital's needs are being met with gas extracted by Rosneft-Dagneft from the republic's Dimitrovskii deposit.

Additionally, it has become difficult to get alternative sources of fuel, such as fuel oil, firewood, and coal, to the republic. Specialists estimate that 1.2 million tons of coal is needed for the autumn-winter period, and 204,000 tons of fuel oil is required for boilers in Makhachkala and Kaspiisk. A sum of 820 million rubles is necessary to purchase this much coal and fuel oil.

The government of Dagestan is realistic about the present situation and understands that the federal budget cannot give out such large sums of money in such a short period. To evaluate the situation on the ground, representatives of Dagestangazprom tried repeatedly to go on to Chechen territory, in particular, to the Chervlennaya compressor station, where two of the pipelines supplying the republic terminate. However, due to the continuing military activity in this area, the trip is dangerous and has not yet been possible. The head of Dagestangazprom is hoping for help from the federal government and believes that the issue of reopening the pipelines will be decided shortly.

Another problem contributing to this crisis is non-payments and debts, including from the Russian and Dagestani governments, which have racked up more than 650 million rubles in debt to Dagestangazprom and Regiongaz. The republican government has not fully paid for the work undertaken to install gas in populated areas, or for special privileges it issued to certain categories of citizens using natural gas. Moscow should pay compensation for damages incurred by terrorist acts from 1994-1999 and for the military actions in August and September of this year. Dagestangazprom's debts to budgetary and extra-budgetary funds amount to 11 million rubles

The current energy crisis once again brings up the problem of the republic's energy independence. According to geological surveys, Dagestan has more than 500

million tons of natural gas. However, large-scale capital investments are necessary to exploit it, and such investment is unrealistic given the present difficult conditions. A more realistic possibility is the completion of the crosspiece pipeline from Kumla (North Dagestan) to Karlanyurt (Central Dagestan), which bypasses Chechnya. - Marat Biigishiev and Nabi Abdullaev in Makhachkala

VOLGOGRAD SEEKS CHEAPER ELECTRICITY. The fact that the Volga Hydroelectric Station (GES) is the largest of its kind in Europe is not surprising as it is located in the lower part of the Volga, the continent's largest river. The cost of producing electricity at the facility is very small. Yet, Volgograd Oblast is unable to take advantage of it since the enterprise belongs to Unified Energy System (EES) and it does not sell its electricity directly to the city of Volgograd or to industrial enterprises in the Volga region. Purchasing electricity from EES is ten times more expensive than buying it from the hydroelectric station.

The regional authorities did not secure an ownership stake in the GES for the oblast and are now paying for their shortsightedness. Several analysts think that the EES takes a particularly hard-line toward the Volgograd authorities for political reasons. EES Director Anatolii Chubais is one of the key supporters of the Union of Right-wing Forces, while the Communists dominate the Volgograd administration.

For large-scale energy consumers it is advantageous to acquire electricity on the Federal Wholesale Energy Market (FOREM), where the cost is considerably less. Traditionally, regional authorities opposed allowing enterprises to buy energy on FOREM because such purchases reduce sales for local electricity provider Volgogradenergo, thereby cutting its tax payments into the regional budget. So far the Volgograd Aluminum Factory is the only regional enterprise to purchase its electricity from FOREM.

However, the oblast's electricity and fuel energy situation has worsened considerably over the past several months. Large debts to Gazprom have placed Volgograd's heat and electricity stations in a difficult situation (see *EWI Russian Regional Report*, 21 October 1999). Confronted with the threat that heating enterprises' revenue is decreasing while electricity costs increase, which in turn reduces payments to the budget and could make supplying heat and energy more difficult, the Volgograd Oblast administration and regional energy committee have decided to sacrifice Volgogradenergo's interests. First Vice-Governor Vladimir Kabanov announced last week that buying electricity from FOREM was the only way to save local enterprises from catastrophe. Of particular concern are the Kaustik chemical factory and the Volga Pipe Factory.

Meanwhile, having investigated Volgogradenergo's revenues, the oblast administration committee for non-payments to the budget and extra-budgetary funds has decided not to take any extreme measures against the company. The same committee has decided to sell off the property it confiscated from the Mezhraigaz company for its failure to pay its debts. - Ivan Kurilla in Volgograd

MINISTER OF FUEL AND ENERGY PROMISES BALTIC PIPELINE WILL GO AHEAD. On his recent visit to St. Petersburg, Russian Minister of Fuel and Energy Viktor Kalyuzhnyi announced that the scale of the Baltic Pipeline System (BTS) would be

reduced. One of the most shocking statements Kalyuzhnii made was that the BTS project might be restricted to the first stage only. Under these plans, the capacity of the oil terminal in Primorsk would be 12 million tons per year. In Kalyuzhnii's opinion it is not necessary to increase BTS capacity to 30 million tons, as had been planned, given the present volume of oil extraction in the Russian Federation.

This news did not satisfy the Finnish energy concern, Fortum, whose leadership is lobbying to have the BTS extended from Primorsk to Porvoo (Finland). Fortum representatives have even proposed organizing a separate consortium of western companies for constructing an oil pipeline on Finnish territory.

Semen Vainshtok, the new president of Transneft, which was granted the right to develop BTS, accompanied Kalyuzhnii on the trip (for additional background, see *EWI Russian Regional Investor*, 29 September). According to Vainshtok, BTS should begin construction in the first quarter of 2000 at the very latest. He stated, "It will take 18 months to complete the first stage. Its overall cost is \$460 million. At present, Transneft has accumulated \$55 million from the investment tariff on oil exports." By the end of the year the investment tariff should bring Transneft nearly \$100 million.

In a meeting with Leningrad Oblast fuel and energy specialists, Kalyuzhnii admitted he had considered the construction of a pipeline bypassing Chechnya the top priority. Yet, in accordance with Prime Minister Vladimir Putin's personal instructions, BTS and the other project will be carried out simultaneously.

Leningrad Oblast Governor Valerii Serdyukov said that he was very pleased with the meeting. He described previous government visits to the oblast (Viktor Chernomyrdin, Boris Nemtsov, etc.) and promised project completion dates as nothing more than a "political show." - Marina Makova in St. Petersburg

REGIONAL RESOURCES

GOLOS ROSSII JOURNAL (www.golos.ru) The Golos Rossii political movement has collapsed, but the journal lives on! The organizers hope to continue the publication that they started for the political movement as one that discusses regional issues. The current issue contains material from Samara Governor Konstantin Titov and Ingushetiya President Ruslan Aushev.

McKINSEY REPORT ON RUSSIA (<http://www.mckinsey.com/mgi.html>) Readers interested in the much-publicized McKinsey Global Institute report on Russian productivity can download the full text from this site. The report includes sector case studies on steel, cement, oil, dairy, confectionery, residential construction, food retailing, general merchandise retailing, hotels, and software.

REGIONS.RU offers links to various regional resources as well as up-to-date news clippings on key events in the regions.

POLIT.RU provides constantly updated news and other useful resources including articles and interviews.

GAZETA.RU Daily news updates and some investigative reporting.

LENTA.RU Comprehensive online news source.

SOCIETY.RU provides a wealth of information on political and electoral processes in the regions and strong federal election coverage.

WWW.VIBORY.RU displays some interesting election commentary.

WWW.ELECTIONS.RU offers basic information on the upcoming federal elections and their key players.

WWW.RUSLINE.RU will have constantly updated results on polling day.

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Federal Trends

+++++Foreign direct investment in the Russian economy increased 60 percent in the second fiscal quarter of this year in comparison to the same period in 1998. Although the primary reason for such a large increase is the relatively low level of investment in 1998, the boost suggests that Russia may slowly be recovering. However, capital flight remains a large problem and the level of outside investment has yet to expand beyond miniscule.

-----Disregard for democracy in favor of convenience is becoming the dominant trend governing regional elections. The mayor of Pskov is trying to move up the city's mayoral elections to 19 December, entering into open conflict with the oblast administration. Likewise, Tatarstan President Mintimer Shaimiev is contemplating moving up his region's presidential elections from March 2001 to coincide with the Russian presidential elections in June 2000.

+++++Increased bilateral relations between regions, the emergence of multiple interregional organizations and projects, as well as the gradually growing influence of the eight interregional economic associations indicate a positive trend towards cooperation among the regions. Rather than functioning solely on bilateral relations between the center and periphery, Russia's federal structure is becoming stronger through the active participation regions are taking in promoting their joint development.

-----Irkutsk Governor Boris Govorin has suggested that his oblast should take over the Ust-Orda Buryat Autonomous Okrug, which is located on Irkutsk territory. This proposition is unlikely to be welcomed by Ust-Orda Buryatiya or supported by other autonomous okrugs. However, it does confront the issue of the ambiguity of okrug status, which has caused many political, economic, and social conflicts since autonomous okrugs were afforded the status of federation subjects by the 1993 Russian Constitution.

+++++Nizhnii Novgorod Oblast has signed an agreement with Westdeutsche Landesbank to restructure the oblast's 50 million DM syndicated loan that was taken before the August 1998 financial crisis. The success at restructuring this debt offers hope that the oblast will find some way to restructure its Eurobond debt as well.

-----Primorskii Krai Governor Yevgenii Nazdratenko is furthering his campaign against those critical of him. He is now calling for the removal of the editor of *Moskovskii Komsomolets vo Vladivostoke*, which publishes criticism of Nazdratenko's regime. This is just the latest step in the governor's plan to gain control over all of the region's media. Nazdratenko's attack parallels the actions taken by many prominent political and business figures to safeguard their reputation, inhibiting the development of free press and free speech.

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Elections 1999/2000

RRR Names the Real Party of the Regions

Patterns of Regional Development

Good Region, Bad Government: Moscow Oblast's Tyazhlov in Deep Trouble

Platov Maintains Tenuous Hold Before Tver Gubernatorial Elections

Tatarstani President Considers Moving Up His Election

Irkutsk Governor Seeks Greater Control over Buryat Okrug

Media Issues

Nazdratenko Pursues Crack Down on Local Newspaper

Center-Periphery Relations

Analysis of Regional Budgets in the First Half of 1998, 1999

Volgograd Maintains Informal Lobby in Moscow

Horizontal Ties: An In-Depth Report

Prospects for Interregional Cooperation in Russia

Political Economy

Novosibirsk Banks Lack Capital to Invest in Local Business

Advertisements

The Final Volume is Out: EWI Series on Eurasian Security

EWI Handbook of Russian Regional Executives

*****Completely Updated as of 1 August 1999*****

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

OVR LEADERS CRITICIZE KREMLIN IN OPEN LETTER TO YELTSIN. In response to the Kremlin attacks on their bloc, including the recent creation of Yedinstvo, the leaders of Otechestvo-Vsya Rossiya (OVR) launched their own attack on the presidential administration last week. On 28 October OVR leader Yevgenii Primakov, Moscow Mayor Yurii Luzhkov, and St. Petersburg Governor Vladimir Yakovlev issued an open letter to Russian President Boris Yeltsin accusing the presidential administration of meddling in the State Duma electoral process and violating the law and democratic standards (for the complete Russian language text of the letter, please see *Rossiiskii regionalnyi byulleten*, 1 November, <http://www.iews.org/rrrabout.nsf/pages/rrb+1.20>).

The letter stated that, "A narrow group of individuals, who are abusing their positions, are exerting unprecedented pressure on the electoral process. Your circle openly demonstrates an interest in the victory of political forces loyal to them and the defeat of all others." The OVR leaders also criticized the presidential administration's influence over the media and asserted that the administration had essentially taken over the leadership of the country, isolating Yeltsin from the people who elected him. They called on Yeltsin to come out of his political seclusion, dismiss the compromised

individuals in his administration, and meet personally with representatives from the media and political organizations.

Although the letter did not specify which individuals Yeltsin should dismiss, Luzhkov indicated that they were Boris Berezovskii and administration Chief of Staff Aleksandr Voloshin, *Vremya MN* reported on 29 October. Berezovskii does not work in the presidential administration, but he controls much of the country's media through ownership of prominent newspapers and television stations.

The timing of this letter suggests that its main purpose was to draw favorable attention to OVR's electoral campaign. A week before the letter was released Primakov declined an invitation to meet with the president. Primakov's refusal was based on his preference to avoid associating with the president's circle. Additionally, Yeltsin himself was on vacation at the time the letter was delivered, and Primakov is in Europe meeting with German politicians and celebrating his 70th birthday.

TULEEV LEAVES SIBERIAN ACCORD. Kemerovo Governor Aman Tuleev announced that he intends to leave the Siberian Accord Interregional Association and will not transfer money to maintain the association, *Vremya MN* reported on 2 November (for background information on the association, see the article on interregional cooperation in this issue). Tuleev was angered by a broadcast on the television program *Gubernskie novosti*, aired in Kemerovo, Novosibirsk, Tomsk, and Altai Krai, in which Novosibirsk television journalists gave favorable coverage to the 23 October meeting of the Kuzbass Congress of Workers' Collectives, which was strongly critical of Tuleev. Tuleev called the program a "means of [exerting] political pressure on the regional authorities of neighboring territories with the point of view of one oblast [Novosibirsk] prevailing over the others." As a result, Tuleev announced that he was withdrawing his participation in the *Gubernskie novosti* program and in Siberian Accord as a whole.

Kemerovo Oblast has removed itself from the association once before. In October 1993 then Governor Mikhail Kislyuk withdrew, claiming that the association "had become too politicized." Kislyuk quickly returned to the fold and it looks like Tuleev will as well. His decision to withdraw is discrediting Kemerovo in the eyes of its neighbors, who feel that Tuleev is impeding their ability to present a united Siberian front before the federal government.

FORMER VOLOGDA GOVERNOR HEADS TO PRISON FOR EMBEZZLEMENT. A Vologda Oblast court sentenced former Governor Nikolai Podgornov to seven years imprisonment on 28 October for misusing budgetary funds when he was in office. This sentence resulted from a renewed investigation against Podgornov that was initiated earlier this year. Podgornov's case goes back to 1996 when he was dismissed from office after the so-called "grain deal" was exposed. According to the court, the governor had illegally deposited 21.7 billion rubles (about \$4 million) allotted from the federal budget for the purchase of grain for the region in a local bank. In turn, the bank granted the governor's associates loans at favorable interest rates. In addition to this affair, Podgornov was also accused of abusing power and taking bribes (see *Russian Regional Report*, 4 December 1996).

Last year the state prosecutor demanded that Podgornov receive nine years in prison and that his property be confiscated. But instead, the ex-governor was cleared

from nearly all of the charges against him, fined 150 rubles, and sentenced to one year in jail, a sentence that was immediately suspended (*EWI Russian Regional Report*, 8 December 1998). In March 1999 the Russian Supreme Court overruled this decision and demanded that the charges be considered again. This time the court found him guilty on nearly all counts. (*Izvestiya*, 29 October)

CONFLICT BETWEEN PSKOV MAYOR AND GOVERNOR HEIGHTENED BY THREAT OF EARLY ELECTIONS. The ever-increasing trend in Russian regions of holding early elections to work to the incumbent's advantage is causing controversy in Pskov as well. Pskov Mayor Aleksandr Prokofev is trying to move up the city's mayoral elections to coincide with the State Duma elections on 19 December. However, when the city duma gathered to vote on the matter, three deputies left the hall to deprive the body of the necessary twelve-vote quorum.

Early elections are clearly advantageous to Prokofev, who is at odds with Pskov Governor Yevgenii Mikhailov, and it is generally accepted that the oblast administration is behind the attempts to prevent the elections from taking place in December. The oblast's meddling in the vote was also apparent in a timely letter to the city duma from the oblast finance administration stating that if the elections were held in December, then the oblast administration would not pay for them. (*Ekspert*, 1 November)

ANOTHER ASSASSINATION IN ST. PETERSBURG. St. Petersburg witnessed another assassination this past week. On 28 October the Deputy General Director of the printing products' company Metropress, Oleg Chervanyuk, and his brother Sergei were shot in Chervanyuk's apartment. The possible motives for this assassination are unclear, although it is likely related in some way to Chervanyuk's professional life. He has spent the past three years working for Metropress, helping the firm to establish its monopoly selling newspapers and magazines in the St. Petersburg metro.

Chervanyuk's assassination can be added to a long list of politically and business related killings that have gained St. Petersburg the reputation of Russia's "criminal capital." Since August 1997 there have been eleven such assassinations, the most recent of which was the killing of St. Petersburg Legislative Assembly member Viktor Novoselov just a week earlier (see *EWI Russian Regional Report*, 21 October). (*Izvestiya* and *Nezavisimaya Gazeta*, 29 October)

ECONOMICS

FOREIGN INVESTMENT UP IN SECOND QUARTER. Foreign direct investment (FDI) increased 60 percent during the second fiscal quarter this year in comparison to the same period in 1998, totaling \$277 million. According to *The Moscow Times* on 2 November, the US is the primary foreign investor, contributing 37.5 percent of total foreign direct investment in Russia. Germany is second with 11 percent and the Netherlands is third with 9.3 percent. Russia's fourth largest foreign investor is Cyprus, which boasts many thriving enterprises in its offshore tax zone and accounted for 8.5 percent of FDI for the second quarter.

Peter Westin of the Russian European Center for Economic Policy stressed, however, the importance of keeping these developments in perspective. Westin pointed

out that the primary reason the increase was so high was that the level of investment in 1998 was quite low. Additionally, FDI growth has been achieved mostly by foreign companies that were already involved in the Russian market. Westin also indicated that much of the upsurge of FDI is directed towards the consumer goods and food processing sectors, which are small and will not boost the overall economy. According to Westin, 60 percent of all FDI this year has been directed to the food processing industry, while only 15 percent went to the fuel industry, which is the sector most capable of attracting substantial investment sums.

Top FDI projects in 1999 include: Denmark's Dandy - \$94 million into a chewing gum factory in Novgorod; Wrigley's - \$70 million into a chewing gum factory in St. Petersburg; Philip Morris - \$330 million into a factory in Leningrad Oblast; and International Paper - \$65 million to acquire a controlling stake in a St. Petersburg paper mill.

STATE APPROVES PLAN FOR LOMONOSOV RENATIONALIZATION. Two weeks after the St. Petersburg and Leningrad Oblast arbitration court declared the privatization of the Lomonosov Porcelain Factory illegitimate (*EWI Russian Regional Report*, 14 October), on 27 October First Deputy Prime Minister Nikolai Aksenenko approved the proposal submitted by the Ministry of State Property for renationalizing the plant. The proposal divides up the factory into two enterprises, a state firm and a private firm located in the same facility. The Ministry of State Property will set up a federal enterprise that will own the state's portion of the factory, which will receive Lomonosov property comparable to what it lost in the illegal privatization process. Property acquisitions that were made after the facility was privatized will be retained by the private firm. However, making such property determinations will not be simple, and the ministry has not offered any details on how this operation will occur.

Nevertheless, the actual renationalization process will not take place any time soon. As Deputy State Property Minister Yurii Medvedev noted, the renationalization of the Lomonosov Porcelain Factory will be conducted in accordance with the law and only after the court has approved the implementation of the plan. Therefore, the ministry does not know when or how its plan will take shape.

Evelyna Baxter, senior expert of the US Investment Fund (TUSRIF), one of the foreign stockholders who has lost its share in Lomonosov as a result of the overturned privatization, announced that the fund still intends to appeal the St. Petersburg court's decision (*Kommersant Daily*, 28 October).

The precedent set by the St. Petersburg and Leningrad Oblast arbitration court in declaring Lomonosov's privatization illegitimate has already set the stage for further ownership battles. Polit.ru reported on 2 November that the court has declared the privatization of the ports in Vyborg and Vysotsk illegal as well. Now the procurator intends to investigate the privatization of the St. Petersburg port.

NORILSK NIKEL ANNOUNCES NEW PROJECTS. Norilsk Nickel announced at a Moscow conference on 2 November that it is considering producing stainless steel, *The Moscow Times* reported on 3 November. Norilsk Deputy Director Yurii Kotlyar explained that the demand for stainless steel on the international market makes it an opportune time to invest in a production facility. Although Norilsk Nickel has never

produced steel, it is the world's largest producer of nickel, which is a primary element in stainless steel production.

Kotlyar stated that the stainless steel facility will most likely be located in western Europe since Russia's financial problems made it impossible for the project to attract the necessary investment. He further noted that Russian stainless steel technology catered to former Soviet demands for military equipment and is not easily compatible with contemporary consumer interests.

Additionally, Kotlyar announced that Norilsk Nickel is also planning to establish a refining facility for processing palladium ore. The company, which is based in the Taimyr Autonomous Okrug, currently uses a facility in Krasnoyarsk Krai, which is controlled by the krai government. Taimyr's ambiguous status as a federation subject that is simultaneously independent and subordinate to Krasnoyarsk has led to many conflicts between the two regions, in particular regarding tax revenue generated by Norilsk. Thus, Norilsk Nickel is eager to leave Krasnoyarsk out of its business arrangements.

EES ANNOUNCES SALES IN REGIONAL POWER COMPANIES. Unified Energy System (EES) has offered a glimpse into its restructuring efforts, announcing the subsidiaries in which the holding plans to sell stakes, *The Moscow Times* reported on 2 November. EES's main motivation is to satisfy the World Bank and International Monetary Fund. According to the World Bank program for Russia, EES should sell stakes in five regional power companies by 1 April 2000.

EES Deputy Chairman Valentin Zavadnikov stated that the company will reduce its shareholdings in ten regional power companies and establish five independent producers. The subsidiaries are Chuvashenergo (Chuvashiya), Khakasenergo (Khakasiya), Kalmenergo (Kalmykiya), Samaraenergo (Samara), Sverdlovennergo (Sverdlovsk), Karelenergo (Kareliya), Yantarenergo (Kaliningrad), Omskenergo (Omsk), Orenburgenergo (Orenburg), and Kuzbassenergo (Kemerovo). Zavadnikov explained that EES hoped to maintain a 25 percent plus one share blocking stake in the regional power companies.

In further compliance with the World Bank's program, EES is setting up five independent power producers: LuTEK, BurTEK, UralTEK, the Kuzbass Power Company, and the Power-Metallurgical Company (for information on BurTEK and UralTEK, see *EWI Russian Regional Investor*, 26 August). While LuTEK, BurTEK, UralTEK, the Kuzbass Power Company unite electricity producers with coal mines, the Power-Metallurgical Company will bring together power producers and metal manufacturers.

GAS SUPPLY RESTORED TO DAGESTAN. On 27 October Gazprom began transporting gas through Chechnya to Dagestan. The majority of the republic had been without gas since Russia cut off energy supplies to Chechnya as the two pipelines that service Dagestan run through Chechen territory (see *EWI Russian Regional Report*, 28 October). According to the Russian Ministry of Fuel and Energy, Dagestan is being supplied with 5 million cubic meters of gas per day. The republic's needs in winter months is estimated at 8 million cubic meters per day. Gazprom also expects to restore gas to the freed territories of Chechnya over the next few weeks. (*Vremya MN*, 28 October)

ELECTIONS 1999/2000

RRR NAMES THE REAL PARTY OF THE REGIONS. The answer is not who you think it is.

One of the primary issues in the upcoming State Duma and presidential elections has been the role of the regions. As regional executives have strengthened their authority, their heightened influence over the electorate has caused their personal support of various political movements and parties to carry greater weight than in the 1995-1996 elections. The 1999-2000 elections, in many respects, belong to the regional elite, who have proven to be among the most active players on the electoral stage.

Their first battle cry is to elect an effective Duma that represents the interests of the regions. Presumably such an institution would have to be made up of people from the regions rather than Moscow. Such intentions allegedly stood behind Moscow Mayor Yurii Luzhkov's Otechestvo movement when it was first established a year ago, although it was impossible to look past the movement's clear Moscow slant to see it as a true party of the regions. Then in January 1999 Samara Governor Konstantin Titov established the Golos Rossii regional movement, which, in its first days, appeared to have wide support among regional leaders. However, when Tatarstan President Mintimer Shaimiev and St. Petersburg Governor Vladimir Yakovlev organized the Vsya Rossiya movement in April, Titov lost much of his support to the new group, which ultimately joined up with Luzhkov. Thus, the united Otechestvo-Vsya Rossiya (OVR) bloc should theoretically hold the position of the party of the regions.

However, a close look at the OVR party list approved by the Central Electoral Commission, as well as the 26 other lists the commission has sanctioned thus far, presents a wildly different picture (http://www.fci.ru/gd99/spiski/spiski_rp.htm). Of the 240 names enumerated on the OVR party list, 110 of the candidates are residents of Moscow City. Of the first 18 names listed, only 6 are from outside of the capital. Overall, only 54.17 percent of the candidates on the OVR list come from the regions. OVR's list is comprised of several high level political figures, including regional executives and State Duma deputies, as well as many regional level politicians, business people, and academics. Aside from Moscow Mayor Yurii Luzhkov and St. Petersburg Governor Vladimir Yakovlev, who hold the second and third spots, other regional executives appearing on the OVR list are Moscow Oblast Governor Anatolii Tyazhlov, Kareliya Prime Minister Sergei Katanandov, Mordoviya President Nikolai Merkushev, and Kirov Governor Vladimir Sergeenkov. The percentage of regional representation on OVR's list is particularly interesting in comparison to that of other lists. Only three minor parties, the Russian Party for the Defense of Women, the Conservative Movement of Russia, and Spiritual Heritage have even fewer candidates from the regions on their lists. All other major and minor parties offer better regional representation than OVR.

The pro-Kremlin Yedinstvo movement, which has garnered the support of 24 regional executives, more than any other party or movement (OVR has 21 supporters among regional governors and presidents), has a considerably higher regional representation on its party list. Of the 173 names listed, 126, or 72.83 percent, are from the regions. However, aside from the first three names on the list, the majority of Yedinstvo's candidates are, at best, mid-level functionaries. The lack of professional

depth in this list, as well as the dependent character of the regional executives supporting it, is further testimony to the movement's weakness and suggests that even if the bloc does have a successful showing at the polls, it will not contribute to the creation of a less polarized, functioning Duma that it claims to be striving for.

The real party of the regions is Women of Russia, with 88.42 percent regional representation. The Russian Socialist Party, headed by State Duma Deputy Vladimir Bryntsalov with 88.2 percent is a close second. Besides a strong regional representation, this party also has an inordinately large number of Bryntsalovs. Additionally, the Mir, Trud, Mai movement also has only a few Muscovites on its list. Yet, Yekaterinburg residents hold more than half of the spots on the list of this Sverdlovsk Oblast-based party. However, these minor groups are unlikely to win enough votes to pass the 5 percent barrier.

Of the major parties which stand a viable chance of passing the 5 percent barrier, Our Home is Russia (NDR) has the highest regional representation of 87.20 percent. Of the 211 NDR candidates, 184 are from the regions. Following former Prime Minister Viktor Chernomyrdin and NDR State Duma faction leader Vladimir Ryzhkov, Saratov Governor Dmitrii Ayatskov is the highest ranking regional official. The candidates on the list vary considerably in status, from regional executives, including Novgorod Governor Mikhail Prusak, Tomsk Governor Viktor Kress, and Ust-Orda Buryatiya Governor Valerii Maleev, to numerous State Duma members (NDR currently holds 58 seats in the Duma), deputies in regional legislative assemblies, heads of local administrations, mid-level bureaucrats, enterprise directors, and university rectors.

Regarding the other major political parties and movements that stand a good chance at breaking the 5 percent mark and making their way into the State Duma, Yabloko follows NDR in its level of candidates representing the regions. Even though 11 of the 12 top names on the Yabloko list are residents of Moscow, with the remaining name a resident of St. Petersburg (Yabloko's stronghold), the party's overall representation is 80.61 percent (133 out of 165 names) from the regions. However, the Yabloko list has fewer high positioned individuals than NDR, and does not have the support of any regional executives. The Communist Party of the Russian Federation (KPRF) has also placed a considerable number of regional candidates on its party list, 197 of 257, or 76.65 percent. The third and fourth spots on the KPRF list following party leader Gennadii Zyuganov and KPRF State Duma Chairman Gennadii Seleznev are held by regional executives, Tula Governor Vasilii Starodubtsev and Kemerovo Governor Aman Tuleev.

The rightest bloc Soyuz Pravykh Sil, which unites the remnants of Titov's Golos Rossii movement with former Prime Minister Sergei Kirienko's Novaya Sila group, Boris Nemtsov's Pravoe Delo, and former acting Prime Minister Yegor Gaidar's Russia's Democratic Choice, has a 77.42 percent regional candidate representation. This showing is rather impressive for a coalition established in a last ditch effort to earn enough support to pass the 5 percent barrier by players who have focused their energies on the federal scene.

The only other major political bloc that has a realistic chance of passing the 5 percent barrier is Vladimir Zhirinovskiy's bloc. Zhirinovskiy's Liberal Patriotic Union of Russia, which won 19.66 percent of the party list votes in 1995, was denied registration for December's election. The group reformed its list into the Zhirinovskiy Bloc, which

successfully registered this week. The number of regional candidates on Zhirinovsky's list is slim. Of 81 names, only 54, or 64.2 percent are from the regions.

As far as penetrating the regions, NDR, Yabloko, and KPRF all have the advantage of significant political development over Otechestvo-Vsya Rossiya and Yedinstvo. All three parties are well established and have factions in the State Duma. Even though NDR will not repeat the strong 11.24 percent showing it made in 1995, its and Yabloko's current infrastructure has made it possible for them to create lists with relatively strong regional representation, stronger than OVR and Yedinstvo, which together have the support of more than half of Russia's regional elite. Thus, it seems that these national level parties, through their work over the years, have been more successful at creating real regional movements than the executives, who have only made a concerted effort to improve regional representation in the Duma over the course of the past year. The Communists, of course, inherited much of their structure from the Soviet era.

Bearing in mind the amount of regional representation present on various parties' lists, as well as the realistic chances for success these parties have, the outcome of the State Duma elections is unlikely to be satisfying to anyone. The end result of various movements and parties' attempts to establish a regionally-based State Duma could in fact create a parliament that is anything but representative of the regions. The parties with the strongest and most consistent regional representation on their party lists, NDR and Yabloko, are unlikely to garner more than 15-20 percent together. The groups likely to win the highest percentage of seats in party list voting are Otechestvo-Vsya Rossiya and KPRF. If this is the case, the State Duma will continue to have a highly disproportionate number of Moscow politicians among its ranks, and will result in the reelection of many deputies, and thus the resurrection of many conflicts between leftists and reformers. This tendency will only be strengthened if Zhirinovsky's bloc manages to cross the 5 percent barrier.

Yedinstvo's participation could complicate matters further. If the movement has any considerable success in the party-list voting, it will, to some extent, be at the expense of NDR, the Kremlin's former party of power. If this is the case, then the regional representatives taking seats in the new Duma will be relatively inexperienced figures easily drawn into other factions rather than the more professional individuals from NDR. Thus, even though the character and emphasis of the 1999-2000 elections has been placed on the regions and the strength of regional executives, it seems that rather than setting up a plan to effect real change, regional leaders and influential players, perhaps inadvertently, are turning power back to Moscow. - Danielle Lussier

Regional Representation in Federal Party Lists

Party	Regional Representation (%)	Total # of names
Mir. Trud. Mai	88.98	118
Women of Russia	88.42	95
Russian Socialist Party	88.20	178
Our Home is Russia	87.20	211
Congress of Russian Communities and Yurii Boldyrev Movement	86.29	175

Communists, Workers'		
Russia - For the		
Soviet Union	84.19	234
General Andrei Nikolaev and		
Svyatoslav Fedorov		
Bloc	83.41	229
Yabloko	80.61	165
Russian National Union	78.97	195
Spas	78.72	94
Soyuz Pravykh Sil	77.42	155
For Civil Dignity	77.11	83
Stalin Bloc - for USSR	76.97	178
Communist Party of the		
Russian Federation	76.65	257
Socialist Party of		
Russia	74.07	54
Pensioners' Party	73.61	72
Medved (Yedinstvo)	72.83	173
Movement of Patriotic		
Force - Russkoe Delo	70.37	81
Party of Peace and Unity	66.97	109
Ecological Party of Russia		
"Kedr"	66.67	84
In Support of the Army	66.22	148
Zhirinovskiy Bloc	64.20	81
Social Democrats	59.62	52
Spiritual Heritage	59.23	130
Otechestvo-Vsya Rossiya	54.17	240
Russian Party for the		
Defense of Women	44.44	18
All-Russian Political		
Party of the People	37.21	43
Conservative Movement of		
Russia	36.36	77

For a list of the political affiliations of Russia's regional executives and a map-based representation of these alliances, please visit:

<http://www.iews.org/rrabout.nsf/pages/governors+party+affiliation>.

PATTERNS OF REGIONAL DEVELOPMENT

GOOD REGION, BAD GOVERNMENT: DESPITE ECONOMIC SUCCESSES, MOSCOW OBLAST'S TYAZHLOV IN DEEP TROUBLE. Moscow Oblast has been one of the most successful of Russia's regions in terms of economic development, but Governor Anatolii Tyazhlov faces an extremely difficult electoral battle on 19 December. Capitalizing on the expanding wealth of Moscow City, the oblast has secured vast amounts of investment. The oblast's share of foreign direct investment has been gradually increasing over the past several years and in 1998 it reached \$637 million, comprising nearly 19 percent of all FDI in Russia (*Ekspert*, 18 October). This achievement places the oblast in a close second behind the capital, which acquired \$803 million during the same period, constituting 23.9 percent of overall FDI in Russia. These two regions far surpass any others in attracting foreign capital. The region with the third largest share of foreign investment for 1998 was St. Petersburg, which attracted only

\$260 million, or 7.7 percent. Moscow Oblast is home to many successful large-scale joint ventures with foreign partners. Top investors in the region include Pepsico, Mars, PLM, Ehrmann, Campina, Danone, and Coca-Cola.

In his favor, Governor Tyazhlov has played a key role in attracting investment to his region. Moscow Oblast's favorable status was not acquired solely from its close proximity to Moscow City, but also from the policies Tyazhlov pursued. To encourage foreign investment, Moscow Oblast grants special tax holidays to outside investors who bring in more than \$1 million. Other oblast tax legislation offers incentives to domestic and foreign producers as well as small business entrepreneurs. Given the growing economic prosperity the region has enjoyed as well as Tyazhlov's role in establishing this wealth, one would expect that the regional elite is likewise benefiting from high approval ratings. However, Tyazhlov's prospects are bleak in the 19 December elections. The appearance of such noteworthy opponents as Communist State Duma Chairman Gennadii Seleznev and Vpered Rossiya's Boris Fedorov on the ballot only serve to further confirm Tyazhlov's descent, as neither of these top political figures would choose to stand in the election if they lacked a realistic chance of winning.

Despite the relative economic success, Tyazhlov has faced his share of difficulties in ruling Moscow Oblast. In particular, Tyazhlov has been at constant odds with the Oblast Duma. The governor fought bitterly with the previous duma over limiting the deputies' authority, and won. In December 1997 a new regional duma was elected, and though it is comprised almost entirely of reformers, Tyazhlov remains in constant conflict with the deputies. He has had tremendous difficulty pushing through the region's budget, primarily due to the oblast's large deficit, and in adopting a regional sales tax (see *EWI Russian Regional Report*, 27 May and 6 May).

Tyazhlov's troubles in retaining his authority are further evidenced in his wavering alliances. The governor has always been a close ally of Russian President Boris Yeltsin and the president has frequently praised Tyazhlov's efforts. However, aware that the president was on his way out of the political picture, Tyazhlov decided to secure his alliances with the likely up-and-coming political elite. In April 1999 Tyazhlov left his position as chairman of the Moscow Oblast branch of Our Home is Russia (NDR) in favor of heading the regional branch of Moscow Mayor Yurii Luzhkov's Otechestvo movement (see *EWI Russian Regional Report*, 21 April). In joining up with Luzhkov, with whom Tyazhlov also had a history of amicable relations, the governor stressed his interest in promoting cooperative work between NDR and Otechestvo, demonstrating his desire to remain on friendly terms with all influential allies. Although the current battle raging between Yeltsin and Luzhkov suggests that Tyazhlov's forsaking of NDR in favor of Otechestvo signified a determined break with the presidential administration, the situation was not nearly as tense when the Moscow Oblast governor made his decision. Tyazhlov has tried to maintain his good relations with the president and not overemphasize his association with Luzhkov (*Profil*, 13 September 1999).

The case of Tyazhlov and Moscow Oblast is an example of a good region with poor governance. Whether Tyazhlov's drop in popularity is a result of ineffective leadership on his part, a lack of support within the regional duma to pass necessary policies, or the uncompromising nature of both parties is unclear. Regardless of the root of the problem, the oblast's thriving economy is not enough to satisfy the region's electorate, which will voice their grievances at the polls this December. Tyazhlov's

chances of improving his rating over the course of the next six weeks are slim. Traditional methods practiced by incumbents of paying back salaries or issuing other economic and social benefits on the eve of elections to appease voters will not prove useful in this race as Moscow Oblast does not suffer very much from these problems. Likewise, Tyazhlov's fragile relations with the federal government offer him little hope of influencing voters with its support. - Danielle Lussier

PLATOV MAINTAINS TENUOUS HOLD BEFORE TVER GUBERNATORIAL ELECTIONS. At least 13 candidates have announced their intention to compete against Tver Governor Vladimir Platov in the 19 December gubernatorial elections. Among the key contenders are two deputy governors, Anatolii Kleimenov and Viktor Opekunov, who are running against their boss. For Kleimenov, at least, these elections are likely just a trial run for the Tver mayor's seat in 2000 and he is likely to throw his support to Platov in the second round. Opekunov has much better chances since he is backed by the regional branch of Otechestvo. While rumors of a split in Otechestvo party ranks have increased lately, the decision of Tver Mayor Aleksandr Belousov, another Otechestvo member, not to run has increased Opekunov's chances.

According to public opinion polls published in *Vechernyaya Tver* (28 October), Platov leads the field with 25 percent. Nevertheless, he must be concerned about how the other 75 percent will vote. So far his opponents have 10 percent, 20 percent do not plan to vote, and a whopping 50 percent have not made up their minds yet. The campaign to win these votes is just beginning.

The decision of Communist candidate Tatyana Astrakhankina not to participate in the elections, following party discipline, significantly increases Platov's chances of winning. The official Communist candidate, Vladimir Bayunov, so far only has the support of 3 percent of the voters.

Four other candidates are more likely to be serious contenders, particularly since they may form an alliance to work together: former head of the regional Federal Security Service General Gennadii Vinogradov (Yabloko), Chairman of the Tver Union of Industrialists and Entrepreneurs Sergei Potapov (Otechestvo), Moscow businessman Anatolii Trachenko, and kolkhoz Chairman Nikolai Popov. If these four candidates were to unite, one of them could present a serious challenge to Platov. However, it is not clear if their personal ambitions will allow three of them to support the other one. Many surprises are expected in the weeks leading up to the vote. - Boris Goubman in Tver

TATARSTANI PRESIDENT CONSIDERS MOVING UP HIS ELECTION. Tatarstan President Mintimer Shaimiev and his closest advisors are considering moving up the republic's presidential elections from March 2001 to June 2000, the same day as the Russian presidential elections. Shaimiev was elected to a second five-year term in uncontested elections in March 1996. Immediately following his reelection, he amended the republican constitution to remove a clause preventing any individual from being elected to three terms in a row.

If Shaimiev moves up the elections, the official reason will most likely be that he wants to save money by holding republican and national elections on the same day. However, the real reason is more complicated. Shaimiev is not sure that the next president of Russia will be one of the leaders of the Otechestvo-Vsya Rossiya bloc

(Primakov or Luzhkov), of which he is also a leader. The election of someone else, such as Prime Minister Vladimir Putin, would be bad news for Shaimiev since he fears some one like Putin might seek to bloc his reelection for a third term. There are already rumors floating around that there will be an attempt to ask the Russian Constitutional Court to examine the amendments to the Tatarstani constitution allowing an individual to serve as president for three terms in a row. Against the background of the Russian presidential elections, however, it will be easier for Shaimiev to quietly win a third term.

Shaimiev may also want to move up the elections because his government has not been able to slow the declining living standards in the republic. While Shaimiev is relatively popular now, by March 2001, he may be extremely unpopular. - Midkhat Faroukshin in Kazan

IRKUTSK GOVERNOR SEEKS GREATER CONTROL OVER BURYAT

OKRUG. Irkutsk Governor Boris Govorin said that his oblast should take over the Ust-Orda Buryat Autonomous Okrug, which is located on its territory, at a 28 October press conference. The governor was extremely vague on how this change would work in practice however. According to the 1993 constitution, the okrug has the status of one of Russia's 89 regions. However, okrugs are also constituent parts of the oblasts on whose territory they exist. Govorin pointed out that while some of Russia's 10 okrugs are richer than the oblasts of which they are a part (Yamal Nenets for example), Ust-Orda Buryatiya was far from self-sufficient. Seventy percent of its budget comes from federal subsidies. Economically, socially, and culturally the okrug is connected to the oblast, Govorin argued. He said that the okrug should be part of the oblast.

Govorin criticized the relationship between the oblast and okrug codified in a 1996 power-sharing treaty and the Irkutsk Oblast Charter. The residents of the okrug help elect the Irkutsk Oblast governor, but then that governor can do nothing to improve the situation in the okrug because it is effectively a different region. "It is necessary to change this situation," Govorin said.

Govorin said that in 1998, the oblast helped the okrug bring in its harvest by providing fuel and other resources. However, it has not been paid back yet. "Yes we can lend them money, but the okrug should guarantee the return of the credits and demonstrate its responsibility. We have yet to see this," the governor said.

The governor also expressed concern about attempts to unite Russia's two Buryat okrugs with the Buryatiya republic to create a greater Buryatiya. "I am familiar with the philosophy of some circles within the Buryat intelligentsia about the genocide of the Buryat people in 1937 and the consequent division of the Buryat-Mongol republic into three parts. [Agin Buryatiya State Duma Deputy Iosif] Kobzon has picked up on this idea without understanding what it could lead to."

Govorin is extremely worried that another outsider like Kobzon will be elected in the Ust-Orda State Duma district and called for making sure that the candidates are civily and ethnically mature. He also sought to ensure that they were above being bought out. - Teleinform in Irkutsk

MEDIA ISSUES

NAZDRATENKO PURSUES CRACK DOWN ON LOCAL NEWSPAPER.

Primorskii Krai Governor Yevgenii Nazdratenko is now demanding the removal of *Moskovskii Komsomolets vo Vladivostoke* Editor Andrei Kalachinskii (for an earlier report on Kalachinskii, see *EWI Russian Regional Report*, 16 September). Nazdratenko recently met in Moscow with the editors of *Moskovskii Komsomolets* and expressed concern about the political line of its Vladivostok edition, according to the newspaper *Zavtra Rossii iz Vladivostoka*. After his visit, a delegation from the newspaper's Moscow office arrived in Vladivostok to survey the situation and put together a staff more to the governor's liking.

Kalachinskii confirmed that there is a Moscow observer in his office and expects to be fired in the near future. *MK vo Vladivostoke* was founded two years ago and is similar to other regional editions of the Moscow newspaper. Its design mimics the layout of the Moscow newspaper and 80 percent of the content comes from Moscow. The rest is prepared by local journalists. From the start the paper was critical of the governor and quickly fell onto his list of enemies. With the arrival of Kalachinskii, who holds a candidate's degree in Russian linguistics, the criticism of the governor took on the shadings of intellectual taunts.

Local journalists believe that the breaking point for the krai administration was a polemic between Kalachinskii and Natalya Vstovskaya, the chief of Nazdratenko's press department. Vstovskaya published an angry article denouncing *MK vo Vladivostoke's* lack of objectivity in the pro-Nazdratenko *Vladivostok*, comparing reporting in the paper to journalism from the Stalinist era. In his reply, Kalachinskii sarcastically argued that Vstovskaya was doing everything possible to prevent Nazdratenko from winning reelection in the December elections and pointed out all the recent blunders of the press department, including distributing absurd statements by the governor.

Kalachinskii himself believes that the governor is angry over a recent interview with Yabloko leader Grigorii Yavlinskii and Former Russian Finance Minister Mikhail Zadornov. Yavlinskii criticized the political and social policy of the governor. Zadornov said that Primorskii Krai is in third place among Russian regions, following Dagestan and Altai Krai, in terms of the size of the subsidies it receives from the federal government (see related article in this issue on regional budgets that makes the same claim).

Whatever the proximate cause of the conflict with *MK*, Nazdratenko is clearly trying to gain control of all the media in the region and the opposition press is facing difficult times. The newspaper *Zavtra Rossii iz Vladivostok* suffers from low quality journalism. *Arsenevskie Vesti* (circulation 11,000) has a constant reader base among those who oppose the governor, but as a purely political publication, this paper will be unlikely to build up a larger readership. Radio Lemma, whose editor was beaten in July, continues to broadcast anti-Nazdratenko material (see *EWI Russian Regional Report*, 15 July). In recent days, however, the authorities have tried to throw the journalists out of their offices and threatened to weld shut the metal doors they have installed for security. All other print, radio, and TV outlets are under the governor's control.

Moskovskii Komsomolets Editor Pavel Gusev faces a difficult decision in determining the fate of the Vladivostok edition. On one hand, the Vladivostok paper has big problems: it was thrown out of its offices in September and large advertisers refuse to purchase space on its pages. On the other hand, under Kalachinskii's guidance, the paper now has a circulation of 40,000 and is on a par with the major newspapers in the region.

Moskovskii Komsomolets is close to Moscow Mayor Yurii Luzhkov, whose Otechestvo's party local representative is Primorskii Krai Duma Speaker Sergei Dudnik, another Nazdratenko critic. However, Luzhkov's association with former Prime Minister Yevgenii Primakov (who is close to Nazdratenko) and the need to woo regional leaders may change his position. Accordingly, money and politics will decide the fate of this paper. - Yevgenii Popravko in Vladivostok

CENTER-PERIPHERY RELATIONS

ANALYSIS OF REGIONAL BUDGETS IN THE FIRST HALF OF 1998, 1999. The revenue and expenditures of regional budgets should have changed significantly between the first half of 1998 and the first half of 1999. Because of innovations in the way the federal government gives money to the regions and the continuation of housing reform, to say nothing of the 17 August 1998 crisis, regional incomes and expenses should have been radically different. In fact, however, the continuities outweigh the changes. (Here regional budget means the "consolidated budget," which is the sum of the regional and local budgets.)

One of the most important problems for Russia is the distribution of financial aid from the federal budget to the regions. There is a wide disparity in how much income (tax and nontax) different regions collect. In five regions in Russia in the first half of 1999 the amount of money collected per capita, taking into account the different subsistence minimums, was less than one quarter of the average Russian level (Dagestan, Ingushetiya, Tyva, Agin-Buryatiya, and Ust-Orda Buryatiya). The situation was the same during the first half of 1998. On the other hand, during the first half of 1999, five regions exceeded by more than two times the Russian average: Yamal Nenets (4.7 times), Khanty Mansii (3.9), Taimyr (3.5), Moscow city (2.5), and Nenets (2). In the first half of 1998, there were three such regions (Khanty Mansii, Yamal Nenets, and Moscow).

The Ministry of Finance used a new method to distribute subsidies in 1999 from the Fund for the Financial Support of the Regions (FFPR). As a result of the introduction of this method, as in 1998 and also in 1999, the federal budget law stipulated that 13 regions should receive no subsidies (Komi, Tatarstan, Bashkortostan, Moscow, St. Petersburg, Krasnoyarsk, Moscow Oblast, Lipetsk, Samara, Perm, Sverdlovsk, Khanty Mansii, Yamal Nenets). In 1999, 38 regions received a larger share of the FFPR, while 37 regions received a smaller share.

Table 1: Regions allotted the greatest share of FFPR support according to the federal budget laws for 1998 and 1999

Region	1998 (%)	Region	1999 (%)
Altai Krai	5.52	Dagestan	6.97
Dagestan	5.17	Altai Krai	6.22
Primorskii Krai	4.31	Primorskii Krai	3.98
Kemerovo	3.99	Kabardino-Balkariya	3.11
Sakha	3.68	Buryatiya	3.09
Kabardino Balkariya	3.42	Sakha	3.08
Rostov	3.11	Kemerovo	2.94

Krasnodar	2.84	Rostov	2.76
Buryatiya	2.59	Khabarovsk	2.61
Stavropol	2.36	Chita	2.41

(If you are having difficulty reading this table, try adjusting your web browser character set settings to Western and set the font to courier, or copy the text into Word and set the font to courier.)

Unfortunately, in 1999 as in 1998 the actual regional share of the FFPR was different from what was indicated in the budget. Subsidies accounted for 90 percent of the transfers made from the federal budget to the regions without compensation (89.7 percent in the first half of 1998 and 90.6 percent in the first half of 1999). The other approximately 10 percent went for transfers made through mutual debt canceling (2.7 and 4.4 percent in 1998 and 1999 respectively), grants (*dototsii*) (4.5 and 3.2 percent) and subventions (*subventsii*) (3.1 and 1.8). One of the most significant changes in 1999 was the end of the subsidy to Moscow for carrying out its duties as the country's capital city. Until 1999, even though Moscow was one of the best-off cities in Russia, it received one of the largest shares of federal financial aid (3.1 percent of the FFPR in 1998, see Table 2).

Table 2: Regions with the greatest actual share of transfers from the federal budget for the first half of 1998 and 1999

Region	1998 (%)	Region	1999 (%)
Dagestan	5.94	Altai Krai	5.21
Primorskii Krai	4.14	Dagestan	4.84
Altai Krai	3.81	Sakha	4.77
Krasnodar	3.39	Primorskii Krai	4.55
Kemerovo	3.22	Krasnodar	3.33
Moscow City	3.08	Kemerovo	3.20
Murmansk	2.91	Rostov	2.83
Rostov	2.59	Khabarovsk	2.79
Buryatiya	2.59	Kabardino-Balkariya	2.78
Saratov	2.35	Buryatiya	2.66

The enormous disproportion in regional revenue per capita means that federal financial aid has different levels of significance for different regions. In the five regions with minimal levels of self-generated income, the federal financial aid in the first part of 1998 and 1999 exceeded the amount of money they earned on their own more than three times. On the other hand, Tatarstan, Bashkortostan, Samara, Khanty Mansii and Yamal Nenets received no aid from the federal budget in the first half of 1998; in the first half of 1999, those regions were joined by Moscow and Lipetsk.

As in previous years, the federal transfers have had very little equalizing effects on the regional budgets. Among the regions there remain enormous differences in the deficits of regional budgets and in budgetary income per capita taking into account the different subsistence minimums. Interestingly, if regional budgets on average showed a

deficit of 6.2 percent in the first half of 1998, in the first half of 1999, they had a surplus of 2.6 percent and the number of regions with a surplus grew from 19 to 39. The surplus leaders were Taimyr (33.6 percent) and Moscow (20). Evenkia had the greatest deficit (30.3). The greatest total sum of revenue per capita, taking into account the subsistence minimum, was in Taimyr and Yamol Nenets, which exceeded the Russian average five times, and Khanty Mansii and Evenkia, four times. On the other hand, in the Altai Republic, Novosibirsk, Penza and Chita revenue was less than 50 percent of the Russian average. The same scale of disproportion exists in the distribution of expenditures per capita.

The largest change in expenditures from the first half of 1998 to the first half of 1999 is the average reduction in spending for housing, from 21 percent to 17.3 percent. The share of production expenses (on industry, energy, construction, agriculture, fishing, transportation, roads, communications, and information) shrunk insignificantly from 9.8 to 9.3 percent. The share of social expenditures (education, culture, art, media, healthcare, physical education, social policy) grew from 46.2 to 48.4 percent. - Olga Kuznetsova in Moscow

VOLGOGRAD MAINTAINS INFORMAL LOBBY IN MOSCOW. In addition to the formal representations that many regions maintain in Moscow to lobby their interests, there are also informal clubs of citizens from the regions that band together to support regional interests as well (on the formal regional representations in Moscow, see *EWI Russian Regional Report*, 14 October). Recently, a group of Volgograd citizens in the capital took the step of formally registering their organization, *Zemlyachestvo volgogradtsev* (ZOV).

Of course, not all former residents of Volgograd who move to the capital join this relatively elite organization. The core members are former Communist Party of the Soviet Union oblast and city secretaries and Komsomol leaders who now have influential posts in government and business.

The chairman of ZOV is Vladislav Sentyushkin, the head of the Russian Forest Industries firm, and once the head of a department in the Volgograd party obkom. The group's leadership includes 15 individuals and there are 200 members. Among the more prominent members are Federal Affairs and Nationalities Minister Vyacheslav Mikhailov, Education Minister Vladimir Filippov, Presidential Representative to Chechnya Georgii Kurin, Bolshoi Theater Soloist Marina Meshcheryakova, popular TV anchorman Mikhail Osokin, President of the Russian Agency to Support Small and Medium Business Viktor Yermakov, First Vice President of the Moscow Industrial Bank Vladimir Katunin, and many more.

Sentyushkin explained the value of the club in pointing out that it is difficult to get ahead in Moscow without good contacts and connections (*Oblastnye vesti*, 29 October). ZOV is useful because of the influence of its former Komsomol and party leaders. "We have all worked together, survived a variety of experiences, and know each other's value very well. In this circle, a phone call is enough to make a decision. We have a sufficient number of business contacts in Moscow to work in the interests of the city and oblast."

Many members of the current Communist Volgograd administration were high-level oblast officials in the Soviet era and thus do not always receive a warm welcome in

federal executive offices. As a result, they activate informal contacts, including members of the ZOV. - Ivan Kurilla in Volgograd

HORIZONTAL TIES: AN IN-DEPTH REPORT

PROSPECTS FOR INTERREGIONAL COOPERATION IN RUSSIA. Horizontal ties between regions are extremely important for Russia, a federation with the world's largest number of members. In conditions marked by a long-term economic crisis, undeveloped political system, and the lack of a comprehensive federal system, interregional cooperation expands the internal potential of regions and creates conditions for a more effective resolution of local political and economic problems. The expansion of interregional ties is the manifestation of desires rising from the regions themselves to find their place in the new federal state.

Interregional cooperation takes various forms. Among them are joining the formal associations for economic cooperation, multilateral work on large-scale investment projects, bilateral work on projects, and participating in interregional exhibitions.

The most common and highly developed cooperation takes place in the interregional associations for economic cooperation. These organizations began to appear in 1990 and quickly received the support of the RSFSR Supreme Soviet and later President Boris Yeltsin. At the same time, many in Moscow criticized the new organizations as structures that could potentially facilitate different regions' secession from the Russian Federation. The country's leadership continued to hold such mutually opposing views during the course of the 1990s. However, more recently, negative attitudes toward the associations have diminished. Currently in Russia there are eight interregional associations for economic cooperation: North-West, Central Russia, Black Earth, Greater Volga, North Caucasus, Urals, Siberian Accord, and Far East and TransBaikal.

During the 1990s, the membership of the associations has proven rather fluid. In 1998, for example, Novgorod and Smolensk oblasts joined the Black Earth group. Novgorod is not located in the Black Earth region, but one of its most important companies, the Akron fertilizer producer, has extensive interests in the agricultural region. Some of the associations overlap territorially and some regions are members of two associations. Bryansk, Smolensk, and Tula are members of Central Russia and Black Earth, while Novgorod has remained in the North West association while also working in Black Earth. Tyumen is a member of the Urals group and Siberian Accord, Kaliningrad is a member of North West and Central Russia, while Buryatiya, Chita, and Agin Buryatiya are members of the Siberian Accord and the Far East and TransBaikal associations.

The highest decision making bodies of the interregional associations are their councils which include the relevant members of the Federation Council and meet several times a year. Usually these gatherings attract the interest of the federal government and are often attended by the prime minister, deputy prime ministers, and ministers.

The interregional associations reached the high point in their formal standing at the end of 1998 when then Prime Minister Yevgenii Primakov included their leaders in his cabinet. His successor Sergei Stepashin, followed this policy. In practice, the governors who lead the interregional associations played little role in discussing government policy because of their enormous obligations in home districts and the

Federation Council. Thus, formally, the heads of the interregional associations are not members of Prime Minister Vladimir Putin's cabinet. However, many experts believe that the current government pays relatively greater attention to the associations than its predecessors. Judging by the statements of the prime minister, working with the associations is one of the key goals of the government.

The internal structure of the interregional associations vary. Federation Council Speaker Yegor StroeV is the clear leader of the Black Earth group. In the Central Russia group, Moscow Mayor Yurii Luzhkov is the obvious leader, but he is not formally in charge of the group. In several other associations, particularly the Greater Volga, there is no formal leader. Some of the associations even have influential brain trusts: several Yekaterinburg and Novosibirsk scholars have defended their dissertations on themes related to the associations.

Nevertheless, the future of the associations and their role remains unclear. President Boris Yeltsin vetoed the most recent draft of legislation designed to govern the activities of the associations. The president argued that the creation of supra-regional organizations that would stand between the regions and the federal government was unconstitutional. Thus, the associations exist on the basis of a 11 November 1991 presidential decree on improving horizontal links between the regions and a 16 September 1993 government order concerning the associations.

The political activity of the associations essentially boils down to lobbying regional interests in Moscow. The government often adopts decisions on agricultural, defense, and transport issues as a result of association input. Sometimes, the association lobbying affects changes within the government. Thanks to the efforts of the Siberian Accord, the government created the Industry Ministry in 1999. The Greater Volga played a large role in the resolution of the 1998 drought while Siberian Accord has a hand in federal forestry policy. All the associations participate in the annual budget discussions.

The associations also try to strengthen the energy, transportation, and distribution infrastructure connecting neighboring regions. They also work on interregional schemes for integrating production, wiping out the non-payments crisis, and reducing the tax burden, sometimes through barter schemes. The associations also exchange experience on legislation, state-building at the local level, and methods for state regulation of the regional economy.

Federal programs are another way of fostering cooperation between neighboring regions. Currently there are federal programs on Siberia, the Far East and the TransBaikal, North Caucasus, Development of Small and Medium-Sized Cities, Ecological Security of the Urals, Reviving the Volga, and Reviving the Cossacks, among others. The associations play a large role in developing these programs. The Siberian program, for example, seeks to promote greater cooperation within the region, with other parts of Russia, and even foreign countries. However, one should note that many federal programs that affect several regions at once are organized on the basis of sectoral rather than regional interests.

In addition to the interregional associations, there are now dozens of associations that bring together the cities of Russia. These include the Association of Siberian and Far Eastern Cities, the Union of Cities of Northwest Russia, the Union of Tyumen Oblast cities, and many others. There also sectoral unions, such as the Union of Closed Cities for the nuclear and defense ministries. The largest is the Union of Russian Cities which

brings together about 100 regional capitals and industrial centers. Its position was strengthened when its leader, Valerii Kirpichnikov became the minister of regional policy in 1998 (now he is first deputy minister in the Ministry of Federal Affairs and Nationalities). On 22 October 1998, the president signed a decree creating the Congress of Municipalities which was given the job of uniting all the different associations of cities.

The main goals of the municipal organizations in recent years is to strengthen the budgetary basis of local governments. However, the Congress of Municipalities is highly politicized and is now supporting a number of State Duma candidates in single-member districts.

Bilateral agreements between regional administrations create the basis for cooperation between enterprises, helping specific enterprises, participating in exhibitions, developing infrastructure, creating trade houses, establishing regional representations, and taking part in conferences. Moscow Mayor Yurii Luzhkov is an active advocate of such treaties. Initially he used them to ensure that Moscow was supplied with food. Now they cover a much wider range of activities and have taken on a strong political coloring. Moscow has signed treaties with 73 regions and nearly 200 cities.

The Moscow city government, like many other regional governments, has a special department dealing with interregional relations. There are also several other organizations to promote interregional ties such as the Foundation to promote and develop interregional ties "Sotrudnichestvo," the Foundation to support regional initiatives, and Mosprodkontrakt, among others. Since the middle of 1998, the Moscow International Business Association has begun working with the regions and has opened up dozens of offices outside Moscow. By the beginning of 1999, the Moscow city government had opened up 35 so-called interregional marketing centers, which function as representations from the capital in the regions.

Many other regions are actively developing others forms of bilateral cooperation. Novosibirsk had signed 66 interregional agreements with other cities in Russia and the CIS by the beginning of 1999. Following the example of Italy, in which rich northern regions mentor poor southern regions, Tatarstan has begun helping Ingushetiya and has even given it a building in Kazan.

Finally, a hidden form of interregional cooperation is the accounting for regional interests in the activities of national enterprises in the real and financial sector, including the natural monopolies like the railroads, Gazprom, and Sberbank. In general the national activities of these enterprises have a positive character since they are a necessary element for preserving a common market within Russia. On the other hand, there also exists the possibility that one or another of these national enterprises will exercise control over several regions to achieve the interests of specific groups at a cost to society in general. Taking this possibility into account is especially important on the eve of the elections and the upcoming redivision of spheres of influence among groups that have nation-wide interests.

This list hardly exhausts the forms of interregional cooperation. In the future, these forms of cooperation will only become more complex and widespread. There will also be new forms of interregional cooperation, including the creating of interregional clearing systems, interregional cooperation in budgetary planning, and large-scale transportation and telecommunications projects. - Vladimir Klimanov in Moscow

POLITICAL ECONOMY

NOVOSIBIRSK BANKS LACK CAPITAL TO INVEST IN LOCAL BUSINESS.

With only a trickle of foreign capital coming into Russia, some businesses have intensified their search for domestic sources of investment. One of the most important targets is the local bank system. However, in Novosibirsk the banks are not prepared to help local businesses because they lack capital, according to Novosibirsk Vneshtorgbank Vice President Lyudmila Radchenko.

Novosibirsk has failed to hold its position as Siberia's largest financial center. In 1999, city banks only had one third of the assets that they held in 1995. In addition to Sberbank, there are only 14 active local banks and 22 branches of out-of-town banks, most of them from Moscow. As of 1 July, the average bank had 40 million rubles in capital. Thus, while staying within the guidelines set by the Central Bank on how much of its assets a bank can loan to any single borrower, a bank can only provide a firm with \$400,000. There are now 17,000 small businesses and 23,000 individual businesses in Novosibirsk potentially competing for these funds.

Nevertheless, Radchenko believes that the credit demand from banks could be satisfied. However, as she explained to *Kommersant-Sibir*, five factors hinder such an outcome:

1. The lack of political stability in the country. The on-going instability prevents enterprises from developing plans for relatively long-term borrowing.
2. Banks often cannot evaluate the creditworthiness of potential borrowers because many firms believe that they must hide their real income.
3. Numerous contradictions in existing legislation and the lack of a mechanism to implement the law make it difficult to carry out many lending programs.
4. At the local level, there is no way to enforce the few laws that exist regulating business activities.
5. The Central Bank's actions block many lending programs. The bank forbids loans to firms without good credit ratings, which means that they must have been in business at least one year. In effect, the Central Bank is saying "Don't lend to new businesses!"

"We are prepared to provide credits for the real sector and have already made such loans," Tatyana Kiseleva, the head of the Novosibirsk branch of Sberbank, said. "but we need to know which priority sectors the city and oblast intend to develop. In those cases we are prepared to supply them with funds for the full production cycle, from the beginning of production to the buyer." The main problem is that the banks do not want to take on risk by themselves. However, when one or another sector, enterprise, or business has the support of the local authorities, the banks are more willing to offer credits. - Irina Maslennikova in Novosibirsk

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Federal Trends

----- Last week the Russian media reported rumors that the presidential administration and the Russian generals conducting the Chechen military campaign disagreed over whether to continue the war. Apparently, the military refused the Kremlin staff's request to prepare for negotiations with Chechen President Aslan Maskhadov and halt the killing. Such direct military intervention into politics is unprecedented. If these reports are true, the Chechen campaign could have enormous consequences for the way Russia is governed.

----- On 6 October Yeltsin signed a law governing political institutions in Russia's regions. The law does little more than codify existing governing practices in the regions--regardless of their often undemocratic character--demonstrating the center's interest in maintaining the status quo, and thereby encouraging the loyalty of regional leaders on the eve of the upcoming elections.

+++++ Private sector farming is on the rise in Novosibirsk, filling in the gap left by inefficient collective and state farms. This development is likely indicative of an underreported trend taking place in many regions, suggesting that small businesses are expanding in the agricultural sector. Rural Russia could be on the right path to a slow, steady recovery.

----- The Liberal Democratic Party of Russia has introduced a bill into the State Duma that would essentially abolish Kaliningrad Oblast's free trade zone. The oblast believes that the competition BMWs assembled in Kaliningrad are giving to Moscow dealers inspired the submission of the bill. If the exclave region is deprived of its free trade zone status, it will have a very difficult time attracting the investment necessary to boost its economy.

----- A regional movement in Dagestan is seeking to amend the law on local government in the republic to remove citizens' rights to elect village and settlement mayors. The amendment is likely to pass, making it more difficult for republican citizens to monitor the actions of the executive branch. Most likely, Dagestan will be the next region where local government falls victim to more powerful interests.

TABLE OF CONTENTS

Breaking News

- A Summary of Key Events in the Regions
- Elections 1999/2000
 - Nenets Okrug Political Situation Shapes Duma Race
 - In Omsk, Yavlinskii Entangled in Governor, Mayor Battle

Patterns of Regional Development

Deputy Economics Minister Shakes Up Novosibirsk Governor's Race
Primorskii Krai Governor's Campaign Heating Up
Volgograd Governor, Mayor Battle Over Budget
Local Democracy Under Attack in Dagestan

Center-Periphery Relations

New Law on Regional Institutions Preserves Status Quo
Kaliningrad Free Trade Zone Threatened Again

War in Chechnya

Chechen War Launches Conflict Between Presidential Advisors, Generals

Political Economy

Rostov Ship Builder Successfully Moves Through Bankruptcy

Agricultural Sector

Who is Feeding Novosibirsk Oblast?

Research Report

What Makes Novgorod a Success?

Books Worth Reading

Gorbachev: The Soviet Leader Who Came Back

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BREAKING NEWS

POLITICS

OVR COULD SPLIT REFORM VOTE IN MOSCOW OBLAST. Moscow Oblast Governor Anatolii Tyazhlov will face greater difficulty than he expected in the region's gubernatorial election on 19 December. Not only will the governor face stiff competition from Communist State Duma Chairman Gennadii Seleznev and Vpered Rossiya's Boris Fedorov, but apparently the party to which he has pledged his own allegiance has decided to nominate an additional candidate against him. *Nezavisimaya Gazeta* reported on 5 November that Otechestvo-Vsya Rossiya (OVR) has decided to support both Tyazhlov and State Duma Deputy Boris Gromov, who holds the seventh spot on the Otechestvo-Vsya Rossiya federal list. As the newspaper stated, Seleznev will be the clear beneficiary of this move. Tyazhlov's popularity in the region has been waning, which may in part explain why federal politicians like Seleznev and Fedorov were attracted to this race and why OVR is distancing itself from him. By promoting the candidacies of both Tyazhlov and Gromov, OVR will inevitably split its electorate, further impeding Tyazhlov's chances of winning reelection. Polit.ru reported on 9 November that many analysts are certain that Seleznev and OVR have made some sort of agreement on conducting the gubernatorial campaign.

LUZHKOV OPENS HOTLINE TO REPORT POLICE ABUSE. After numerous reports in the media that Moscow police are allegedly abusing people from the Caucasus, Moscow Mayor Yurii Luzhkov issued a special decree ordering the police to be more polite in their dealings and is installing a hotline to report any abuses. Luzhkov adopted these measures after meeting with community leaders from the city's Caucasus diaspora. After the September apartment bombings in Moscow, which left almost 300 dead and have been attributed to Chechen terrorists, Luzhkov ordered all people in Moscow without permanent residence permits to re-register their residency. As a result many people from the Caucasus who had lived in the capital for years were denied extensions to their living permits. Within three days of the second apartment explosion on 13 September, 520 Chechens were arrested in the city. Although members of the Chechen community claim that the situation has improved somewhat since Luzhkov issued his directive to the police, there is no radical change. The hotline, which is operating even though it is not yet officially open, receives about 100 calls a day. (*The Moscow Times*, 6 November)

MIKHALKOV DECLARES RUSSIA'S FUTURE IS IN THE REGIONS. On 5 November Oscar-winning Russian filmmaker Nikita Mikhalkov (*Burnt by the Sun*, *Dark Eyes*, *Oblomov*) visited the World Policy Institute of New York's New School to share his views on Russia's current political scene. Opening his remarks with the statement, "Evolutions, not revolutions, will save Russia," Mikhalkov proceeded to criticize the popular sentiment that Russia is falling apart, reproving analysts for basing their judgements on the one-sided information provided in Moscow newspapers and broadcast on the main television networks. Mikhalkov stressed that Russia is a vast country that has a life largely independent of Moscow. He explained that while crisis and scandal dominate the picture in the capital, the countryside is doing fine. Mikhalkov asserted that Russia's real healing process was happening in the regions, and that they would continue along this long evolution process if things were allowed to take their natural course without interference.

Nevertheless, in spite of his praise for the regions and the positive trends they are displaying in their development, Mikhalkov did speak in favor of a more centralized power structure for Russia. In particular, he advocated appointing rather than electing governors, and reducing the number of federation subjects to a more easily manageable 20 from the current 89. He is in the US marketing his new movie, *The Barber of Siberia*.

ECONOMICS

REGIONS SHOW INCREASED THIRST FOR BEER. Goskomstat reported that domestic beer production has increased by 33 percent during the first half of this year, making the beer industry the fastest growing domestic sector in Russia's economy. *The Moscow Times* reported on 4 November. *Ekspert* magazine stated in its 8 November issue that in 1998, for the first time in the reform period, Russians drank more beer than vodka, the country's traditional drink of choice. Russian beer producers have benefited tremendously from the weak ruble, which has made imported beers too expensive for Russian consumers. Additionally, as the Russian beer industry continues to expand and

grow, the quality of its product has also improved. As a result, foreign brews made up only 4.4 percent of beer sales in Russia this summer as opposed to 21.7 percent during July 1998.

An interesting aspect of the Russian beer market is that much of the activity is taking place outside of the capital. The increase in domestic beer sales occurred in spite of a drop in beer consumption in Moscow. Rather, St. Petersburg is steadily becoming Russia's beer capital with beer sales increasing 26 percent in the city over the first half of this year. The city is home to several of Russia's top breweries and hosted the International Beer Exhibition in April (*EWI Russian Regional Investor*, 7 April). However, other regions are prospering from an increase in beer demand as well. For example, the subsidiary South African Breweries opened in Kaluga earlier this year has sold 40 million bottles of Zolotaya bochka beer, and is unable to keep up with demand. It plans to increase its brewery capacity to 250 million bottles a year from the current level of 100 million.

SAMARA EXHIBITS STEADY ECONOMIC DEVELOPMENT. Unlike most other Russian regions, including Moscow, Samara Oblast has managed to raise its credit rating. As *Ekspert* magazine pointed out on 8 November, the international rating agency Standard & Poor's changed the prognosis of the oblast's rating on paying long-term credits in foreign capital from negative to stable, although the rating itself remains unchanged at CCC-. According to experts, the improvement in the outlook is evidence of the oblast's improving economic situation and reflects the fact that the region's internal debt is relatively small. This year the region adopted a balanced budget, tax collection improved, and the volume of production in the automobile sector also increased. Additionally, the oblast budget has been implemented more efficiently in the first ten months of this year than last year. Nevertheless, the region's current rating clearly shows that Samara is vulnerable to the economic and financial risks confronting Russia as a whole. The region has put forward a strong program geared to increase its attractiveness to investors (for a detailed account of this program, see *EWI Russian Regional Report*, 14 October).

RUSSIAN DAIRY PRODUCERS UNITE. The Russian dairy union held its founding congress at the end of last week, *Vremya MN* reported on 9 November. The founding members are Wimm-Bill-Dann, the Ostanskii Dairy Combine, and Petmol. In total the new union will have 25 companies including prominent factories and small regional producers. The union hopes to develop strong interaction with students and specialists from various institutes.

ELECTIONS 1999/2000

NENETS OKRUG POLITICAL SITUATION SHAPES DUMA RACE. In the 1996 gubernatorial election, a significant part of the Nenets Autonomous Okrug population placed their hopes for a better life on the election of a new type of politician, businessman Vladimir Butov. However, during his three year tenure, living standards in the region have dropped and the okrug's significant oil deposits have not been developed. Most believe that Butov has tried to place this vast natural resource wealth under the

control of his companies. If he was not able to gain control of them, he blocked their distribution to other investors. As a result, Butov has poor relations with Gazprom and LUKoil. Local voters are unhappy that the region's oil and gas deposits are not improving their living standards as they do in the nearby Yamal Nenets and Khanty-Mansii autonomous okrugs. As a result, Butov's leadership has discredited market reforms in the eyes of the local population and dramatically increased support for the Communists.

In September, rumors circulated in Naryan-Mar that up to 40 candidates, including Governor Butov himself, would participate in the elections to choose the Nenets Autonomous Okrug's representative to the State Duma (District 218). However, Butov's advisors believed that the numerous critical articles about him published in the local newspaper *Nyaryana vynder* considerably hurt his standing among the local population, making it impossible for him to win. Butov's initial plans to run were signaled clearly when he appeared several times on central television with Yedinstvo bloc leader Sergei Shoigu at the bloc's first press conferences. However, then the bloc leaders made clear that they would not allow anyone on the list who had previous criminal convictions, and Butov had two.

Since Butov himself could not run, he has placed his bet on his business partner and first deputy governor, Yurii Rodionovskii. Rodionovskii has a strong interest in winning a Duma seat with its parliamentary immunity because, according to sources in the okrug procurator's office, the procurator is likely to file charges against him for misusing public funds that should have been spent on resettling residents of the far north in more hospitable climates. In September the okrug's legislature adopted a decision to audit the expenditures of the okrug administration in 1997, 1998, and 1999. The audit could also lead to criminal charges. Rodionovskii was the individual who usually authorized administration expenditures.

LUKoil's candidate at first seemed likely to be Severgeoldobycha Director Dmitrii Lebzin. This firm is a subsidiary of Arkhangelskgeoldolbycha, which is owned by LUKoil. Since LUKoil bought KomiTEK in 1999, it is the dominant domestic energy company in the region. However, Lebzin withdrew his candidacy during the stage of collecting signatures. It appears that LUKoil decided to support State Duma Deputy Speaker Artur Chilingarov as a more viable candidate. Chilingarov controls the Varandineftegaz company, which hopes to receive the rights to work on some of the territory LUKoil controls in the okrug.

Overall there are 18 candidates running in the district (for the full list, see http://www.fci.ru/gd99/spiski/ZAR_F213/Main213_int.htm). According to a poll conducted at the end of October by the Zapolyare television and radio company, the voters' preferences are the following:

KPRF	48%
Yabloko	17%
OVR	12%
Soyuz pravyykh sil	9.8%
Yedinstvo	8%
LDPR	3.7%
Against all	3.7%

- Yevgenii Kiselev in Naryan-Mar

IN OMSK, YAVLINSKII ENTANGLED IN GOVERNOR, MAYOR BATTLE.

Yabloko party leader Grigorii Yavlinskii visited Omsk last week officially to participate in the meeting of the Association of Siberian and Far Eastern Cities and his host was Omsk Mayor Valerii Roshchupkin. Yabloko is the only influential Russian political party that backs the development of local government. Yavlinskii explained that his party believes that local government guarantees the unity of the country at a time when Russian governors are pushing toward separatism.

Nevertheless, Yavlinskii felt it was necessary to meet with the oblast leaders during the first hours of his stay. Yavlinskii said that he had been following the conflict between the governor and mayor, but felt that since he was a guest in the city, he should not take sides or engage in polemics. However, he did declare the war with the mayor a mistake and rejected attempts to paint him as a Communist. As a result, Yavlinskii was received rather coldly by the governor, according to *Vash Oreol* (3-9 November). - Marina Chukhlomina in Omsk

PATTERNS OF REGIONAL DEVELOPMENT

DEPUTY ECONOMICS MINISTER SHAKES UP NOVOSIBIRSK

GOVERNOR'S RACE. Russian Deputy Economics Minister Ivan Starikov has become the sixth candidate to register for the Novosibirsk gubernatorial elections set for 19 December. Starikov is likely to run strongly in both urban and rural districts and thus poses a major challenge to the other candidates. His experience working in the State Duma and federal government, as well as his many connections in Moscow and in other regions stand to further increase his chances.

The concern displayed by the campaign staff of the other contenders for the governor's seat is entirely justifiable. A student of the Novosibirsk Agricultural Institute, Starikov also has a graduate degree in economics. As an agronomist he may gain popularity among the rural electorate, and as an economist he could win over the urban vote. Starikov competed in the region's gubernatorial elections four years ago. In the urban districts he gathered the greatest number of votes, beating then Governor Ivan Indinok by 30,000 votes. Since the oblast electoral commission registered Starikov only 8 days before the elections and he failed to visit rural districts, he gathered only a few votes in the countryside and lost to the current incumbent Vitalii Mukha. During this campaign, however, Starikov hopes to take advantage of the additional time he has to meet voters. He is trying to renew his old ties with the leaders of the oblast's top farms for the purpose of making trips around the villages.

Four years ago the oblast electoral commission tried to block Starikov's registration as a candidate on the grounds that he lived in Moscow. Ultimately, the Central Electoral Commission issued a warning statement that if Starikov was banned from the elections, they might be declared invalid. That letter assured Starikov's candidacy. This time, Starikov's registration once again incited a scandal. The oblast electoral commission protested that interviews with Starikov had appeared in two Novosibirsk newspapers. According to the law, candidates are not allowed to campaign

before they have been registered. The scandal has now blown over, but Starikov believes that these problems were initiated by the campaign staff of one of his competitors.

In addition to Starikov, the oblast electoral commission has registered five other contenders for the gubernatorial elections. They are incumbent Governor Mukha, Novosibirsk Mayor Viktor Tolokonskii, leader of the K bogoderzhaviyu movement Konstantin Petrov, Communist Party of the Russian Federation Oblast Committee Secretary (KPRF) Viktor Kuznetsov, and pensioner Gennadii Pugachev. Additionally, former governor Ivan Indinok has announced his intention to compete in the elections. He is also counting on stronger support than in the last gubernatorial elections, although experts consider his chances rather bleak. Indinok may gain political advantage even if he does not finish in first place. The former governor stated that he has not ruled out the possibility of throwing his votes in support of one of the other candidates in the second round. - Irina Maslennikova in Novosibirsk

PRIMORSKII KRAI GOVERNOR'S CAMPAIGN HEATING UP. Already 12 candidates have been registered for the Primorskii Krai gubernatorial campaign and the final deadline is not until 18 November. The authorities have issued warnings to two campaigns for trying to attract votes before they were registered. The electoral commission penalized Primorskii Shipping Company Director Aleksandr Kirilichev because, as his team was collecting signatures to register him, they handed out a biography of the candidate that was deemed to contain campaign material. Deputy Governor Konstantin Tolstoshein was knocked for making a radio address and calling on listeners to vote for his boss, Governor Yevgenii Nazdratenko. As a public official, he is forbidden from making such statements.

The electoral commission's reaction to Nazdratenko's personal propaganda is almost humorous. For months the city and rural areas have been decorated with posters that proclaim "Nazdratenko - Our Governor." Electoral Commission Chairman Sergei Knyazev declared that this poster is not agitation because it simply states a fact. In contrast, a poster that said "Nazdratenko - The Governor of the Twenty First Century" would be deemed campaign material since the governor would need to be reelected to realize such a claim. Critics claim that Knyazev apparently believes that a large majority of local residents have bad memories and simply need to be reminded of who their governor is.

Nazdratenko has also received a lot of free publicity for giving out governor's grants and stipends in the celebrations marking the 100th anniversary of education in the region. He pointed out, however, that the funds come from the regional budget, not him personally, so the dispersal of funds could not be considered campaigning. Despite Nazdratenko's attempts to demonstrate the legality of his activities, such events could ultimately produce unwanted problems for the governor. He set a precedent in September 1998 when his main enemy, then Vladivostok Mayor Viktor Cherepkov, was excluded from the mayoral elections. Cherepkov was accused of using state money for his campaign because he placed a wreath on a newly constructed automobile bridge that said "To the City from the Mayor."

Now Cherepkov is running for the State Duma and governor's office. Recently the courts blocked his campaign's bank account, presenting the latest obstacle that he must overcome. While he was mayor, Cherepkov lost numerous libel cases to the governor and

other members of the administration. Now the court has ruled that Cherepkov must pay large settlements or he will be deprived of the possibility of officially financing his electoral campaign.

There are also scandals surrounding the elections for the Vladivostok mayor, city дума, and charter, a draft of which no one has seen yet. One can say with confidence that the situation will only get worse as 19 December approaches. - Yevgenii Popravko in Vladivostok

VOLGOGRAD GOVERNOR, MAYOR BATTLE OVER BUDGET. The political situation in Volgograd in the period between the 3 October mayoral elections and the 19 December State Duma elections, is becoming increasingly tense. The latest conflict flared when the governor sent his draft 2000 oblast budget to the oblast дума. This budget would reduce the share of oblast funds earmarked for the Volgograd city budget from 33 to 22 percent. Overall, Volgograd could lose more than 500 million rubles in income.

The recently-reelected Mayor Yurii Chekhov failed to defend city interests on his own and thus called on local trade unions and worker collectives who depend on the city budget for help. On 2 and 3 November, more than 1,000 doctors and municipal workers picketed the Volgograd Oblast administration building.

In addressing the protesters, Governor Nikolai Maksyuta blamed the crisis in the city's finances on the mayor. In fact, in the run-up to the mayoral elections, the city authorities artificially held down prices for public transportation, bread, apartment rents, and other essential goods. In July a previously adopted decision to raise rents was overturned. The governor believes that if the city cancels these populist measures, it could cover all of its expenses. However, Chekhov's allies continue to believe that the redistribution of budget funds in favor of the oblast's rural areas is a "punishment" for city residents for electing the "wrong" mayor. The Communist Party of the Russian Federation (KPRF) completely controls the oblast administration and legislature, while Sergei Agartsov, who lost the mayoral race to Chekhov, chairs the Committee on Budget and Tax Policy. Mayor Chekhov, in contrast, has the support of Moscow Mayor Yurii Luzhkov's Otechestvo (see *EWI Russian Regional Report*, 14 October).

The differences between the governor and mayor over the budget is nothing new for Volgograd or most other Russian regions. What's new is the politicization of the conflict, particularly the mayor's calls to the workers' collectives for support. In a region where the voters have generally backed the KPRF in the Duma elections, Chekhov's appeal, made by a member of the Otechestvo political council, could be a conscious effort to polarize social groups in the region. Such a development does not work in favor of the Communists, who are losing their influence, and Maksyuta's willingness to compromise, returning 200 million rubles to the city, is clear evidence of their concern. - Ivan Kurilla in Volgograd

LOCAL DEMOCRACY UNDER ATTACK IN DAGESTAN. Dagestan is formally one of the most democratic of Russian regions since all local executives are elected on the basis of direct, popular votes. However, it seems very likely that this element of democracy will be abolished in the very near future. The Union of Local Authorities in Dagestan, which brings together the republic's city and rural raion mayors and is headed by Makhachkala Mayor Said Amirov, is seeking to amend the existing law on local

government in the republic. The amendments would remove citizens' rights to elect village and settlement mayors, giving city and raion mayors the right to appoint them. The local village and settlement councils would have to approve the appointments.

Such changes are necessary because of the "increased conflict among the population during electoral campaigns," the fact that most villages do not have budgets, and because "incompetent, but locally influential, people come to power through elections," according to Deputy Chairman of the republic's Popular Assembly Arsen Kammaev.

The Union of Local Authorities meeting at the beginning of November also complained that Dagestan's city and raion mayors do not have a say in appointing procurators, police chiefs, tax inspectors, and treasury officials. They believe that their lack of participation in this process impedes their work.

Since many members of the Popular Assembly are city or raion mayors, they are likely to approve these amendments to the law. Thus, in the future the population will have a more difficult time monitoring the actions of the executive branch. In order to influence local leaders, the population will have to appeal to their superiors, something that is more difficult technically and psychologically. Additionally, the new draft of the law opens the door for raion and city mayors to abuse their power since they are likely to appoint local officials on the basis of personal loyalty rather than professionalism. - Nabi Abdullaev in Makhachkala

CENTER-PERIPHERY RELATIONS

NEW LAW ON REGIONAL INSTITUTIONS PRESERVES STATUS QUO

by Vladimir Gelman, European University in St. Petersburg

ST. PETERSBURG - On 6 October President Boris Yeltsin signed a law governing political institutions in the Russian regions (Federal Law 184 "On the general principles of organizing the legislative (representative) and executive agencies of state power in the subjects of the Russian Federation," for the full text, see *Rossiiskaya gazeta*, 19 October). This law, whose adoption was required by the constitution, has an extremely complicated history. The State Duma discussed its first draft in Spring 1994. Many then thought that it would become a model for the adoption of regional charters and constitutions. In reality, things turned out differently. After long debates in the Duma, and overruling a Federation Council veto, Yeltsin sat on the bill for seven months in 1995, neither signing nor vetoing it. After that the bill was sent for further discussions, and getting all sides to agree to it took a very long time. As a result the new law was adopted after all the regional constitutions and charters had already been adopted, and the political regimes in several regions had been essentially consolidated, often on a basis that was far from democratic.

The federal government had to accept the existing situation on the ground and not try to disrupt practices already in place. This meant that the law does not provide any political or legal innovations, and merely served to codify the existing regional state of affairs. In this way the new law brings to an end the period of reorganizing regional political institutions in Russia that began with the competitive elections to the regional and local soviets in Spring 1990 (for a detailed analysis of this process, see V. Gelman

"Regionalnaya vlast v sovremennoi Rossii: instituty, rezhimy i praktiki," *Polis*, no. 1, 1998). Nevertheless, by adopting the law, the federal government, in the form of the State Duma and president, has set out its idea of the legal limits for regional legislatures and governors.

What does the new law mean for the regions? The most obvious result is that the federal state gave the regions significant power to regulate their own activity. The law gives the regions control over even the most important questions, such as determining who sets up and names members to the regional executive branch and defines whom they control. Any other decision by the federal center would mean conflict with the regional leaders on the eve of the elections.

The law effectively ratifies the subordinate status of the regional legislatures (soviets, dumas, and legislative assemblies). If the regional executive vetoes any law they adopt, it can only come into effect if two-thirds of the deputies vote to override. The law allows members of the regional legislatures to work simultaneously in a business and/or in municipal service. The effective result of this provision is to doom regional legislatures to serve as boards of directors or boards of municipal entities under the governor, rather than full-fledged legislative branches.

Nevertheless, the law gives the legislatures the ability to remove regional executives if two-thirds of the deputies vote no confidence in them, but only if the oblast governor or republican president issues decrees that the courts declare illegal or if they violate federal or regional laws, or "severely" violate civil rights and freedoms on a large scale (unfortunately, the law does not explain how to define "severely" or "on a large scale".) However, this right of impeachment is essentially symbolic: in theory, the executive can be thrown out of office immediately, but there is no mechanism defined by the law to force the governor from his office. The executive can disband the legislature if it adopts bills that violate federal laws or the regional charter. While in practice such an outcome is unlikely, the executive can use this weapon to pressure the legislature.

Perhaps, the most serious consequence for regional political development could be the norm established limiting the term of the legislature to no more than five years and the term of any individual executive to no more than two five-year terms in a row. The executive should be elected popularly in all regions, although the law does make an exception for Dagestan. The law does not fully go into effect until the end of a transition period in October 2001, and by that time long-serving leaders like Tatarstan President Mintimer Shaimiev may already have been reelected to a third term. The impact of the law on the regional leaders who moved up their elections during 1999 is not yet clear.

Similarly unclear is how the federal authorities can force the regions to carry out these norms. Although the law foresees the possibility of the courts ruling on the decisions of regional authorities and for the Russian president to countermand the decrees of regional executives, it does not establish responsibility for regional authorities who act or do not act in an illegal way. The regional authorities themselves have the right to introduce norms of administrative responsibility for not implementing regional laws and there is no reason to doubt that this right will be used in some regions as a weapon against the opposition.

Rather than introducing much new into Russian legal practice, the law simply confirmed once again that the federal center, weakened by numerous crises and internal conflicts, has almost lost the ability to democratize the political life of the regions and, as

before, is paying little attention to developing obedience to the law in the regions. In this light, it is characteristic that the federal government did not try to adopt a law about federal intervention in the regions, even against the background of the Chechen war. On the eve of the next elections, the center has consciously decided to preserve the status quo among regional institutions, obviously hoping for short-term stability in the regions and the loyalty of regional authorities. The problem, however, is that the window of opportunity for the center to choose in favor of regional democracy and legality may be missed.

KALININGRAD FREE TRADE ZONE THREATENED AGAIN. Members of the Liberal Democratic Party of Russia State Duma faction have introduced a bill into the lower house which could cancel some of the provisions currently provided for in the legislation establishing the Kaliningrad free trade zone. The Duma will consider the proposed amendments at its next plenary session.

According to Kaliningrad Oblast Duma Chairman Valerii Ustyugov, the bill would essentially abolish the free trade zone, removing investor benefits and preventing the oblast from creating its own legislative base for attracting investment. Ustyugov believes that this law appeared at the behest of Moscow business interests. Thanks to the relatively low price for BMWs assembled in Kaliningrad, these cars are providing serious competition for other foreign models imported into Russia. Since many dealers in Moscow are hurt by the BMW competition, they are trying to deprive Kaliningrad of its free trade zone status. Ustyugov said that he will do everything he can to prevent the Duma from abolishing the region's current advantages. - Yekaterina Vasileva in Kaliningrad

WAR IN CHECHNYA

CHECHEN WAR LAUNCHES CONFLICT BETWEEN PRESIDENTIAL ADVISORS, GENERALS. Differences over whether to continue fighting the war in Chechnya or to start peace negotiations have led to conflict between President Boris Yeltsin's top advisors and key generals, according to the newspaper *Respublika Tatarstana* (4, 6 November). Presidential Chief of Staff Aleksandr Voloshin and Deputy Chief of Staff Serei Prikhodko apparently tried to pressure the Ministry of Defense and the General Staff to prepare for immediate negotiations between Chechen President Aslan Maskhadov and the Kremlin. Such negotiations were to be accompanied by an end to any fighting.

The General Staff resisted this move, according to the newspaper account. Surprising everyone, General Staff head Anatolii Kvashnin allegedly took the unusual step of calling Yeltsin, who was then vacationing in Sochi, and demanding that he immediately overturn the actions of his associates. If Yeltsin refused, Kvashnin supposedly threatened that he and key army generals commanding federal troops in Chechnya would resign. Kvashnin and Defense Minister Igor Sergeev have denied the veracity of these reports.

If it indeed happened, this incident was the first time Yeltsin had met with such powerful resistance among the military to his policies. Given this ultimatum, Yeltsin allegedly backed off, agreeing to continue the attacks on the Chechens. Yeltsin

apparently quickly returned to Moscow because of the position of the generals, cutting short his vacation.

These events show that the Russian generals are relatively united in their desire to prosecute the Chechen campaign to a victorious end and are able to influence political decision-making in this regard. Although Boris Berezovskii wants to stop the fighting and start negotiations, as the paper claimed, it was necessary to take the generals' views into account as well.

Secondly, according to a source in the State Duma Committee on Defense, Defense Minister Igor Sergeev has no real influence over the actions of the Russian ground forces in Chechnya, because these commanders consider him an outsider. This is partly a result of Deputy Prime Minister Ilya Klebanov's lobbying to increase spending on conventional weapons, contradicting the plans advocated by Sergeev.

Finally, the generals' protests has made life more difficult for Prime Minister Vladimir Putin. He is effectively a prisoner of the military since his political future depends on the success of the anti-terrorist operations in Chechnya and he has no real levers to influence the military leaders prosecuting the war. According to a source close to the president quoted by the newspaper, Yeltsin gave Putin three weeks to solve the Chechen problem. Yeltsin could remove the prime minister if he does not win the war in this unrealistic time frame. The president's advisors blame the haste on growing pressure from the west, the declining prestige of the Yeltsin government, and the continuing consequences of the financial scandals. Among the potential successors to Putin are Minister of Emergency Situations Sergei Shoigu, Foreign Minister Igor Ivanov, and General Andrei Nikolaev. - Midkhat Faroukshine in Kazan

POLITICAL ECONOMY

ROSTOV SHIP BUILDER SUCCESSFULLY MOVES THROUGH BANKRUPTCY. On 11 October Rostov held its first auction in which it successfully sold off an entire bankrupt enterprise, the Azov Wharf (Azovskaya sudoverf), a ship building company. The new owner is the Rostov consulting company Ekspert, which bought the firm for 14.5 million rubles (about \$600,000). The starting price was 12 million rubles. The consultants plan to continue Azov's business of repairing and building small fishing boats.

The buyer could breathe new life into the potentially profitable company. Azov was declared bankrupt in 1996. The introduction of an external manager did not help and by 1998 the firm's debts reached 27 million rubles. Ironically, the firm was in trouble even though 80 percent of the CIS fishing fleet was obsolete and there was an untapped market building and repairing the ships.

The crux of Azov's problems were bad management. The firm was simultaneously trying to build and modernize 32 ships, when it would have made more sense to finish working on one of them, receive payment for it, and then continue working on the next. Workers were simply stealing the firm's property. Also the managers did not follow through with the firm's debtors and many of them simply got away without paying. Debts for energy and municipal services continued to grow, workers were paid for doing nothing, and many other problems prevailed.

Then the creditors began to demand that the enterprise be sold to cover its debts. Bankruptcy manager Aleksandr Aleinikov took over in 1998 with the goal of preparing the enterprise for sale at the highest possible price. Usually to reduce the debt load, part of the bankrupt enterprise's property is sold off. However, in this case, Aleinikov chose a different route. He set the enterprise to working on an activity that could give it the quickest profits - repairing ships. Additionally, he conducted a complete inventory of the enterprise's property, strengthened security, and optimized the plant's financial policy. In short, he did everything that the manager of a functioning plant is supposed to do.

As a result of Aleinikov's work, the Ekspert consulting group was able to put together a team of investors, including bankers and ship owners, to buy the enterprise which was already showing positive results. Even under the shadow of bankruptcy, the firm completed several orders, but its enormous debts and bankrupt status prevented it from attracting more business. Now, with a new owner and restructured debts, Azov could become one of the largest enterprises in Rostov Oblast. The owners believe that they need to invest another 30 million rubles in the plant to achieve this goal. Given that they have already bought the company, they seem to think that such an investment will be profitable. - Andrei Miroshnichenko in Rostov-na-Donu

AGRICULTURAL SECTOR

WHO IS FEEDING NOVOSIBIRSK OBLAST? Looking at the newspaper articles surrounding the celebrations for the Day of the Agro-Industrial Complex Workers in October, one could guess that nothing has changed in the region during the last 10 years: giant state and collective farms still feed the oblast. There was no mention of farmers.

The situation was different ten years ago. The media then euphorically celebrated farmers who were bound to "feed the whole country." The euphoria has now faded, as has discussion of the farmers.

Paradoxically, however, the private sector is in fact feeding the country, but the press says nothing about it. The reason is simply that personal peasant farming is not exactly legal and not worthy of such a great country.

We will try to make sense of what is going on. In 1998, major agricultural enterprises, the former state and collective farms most of which had transformed themselves into joint stock companies, produced 93.4 percent of the grain. They also produced a significant number of the eggs (74%), and about half of the meat (45.5%) and milk (54.1%). Private farmers produced almost everything else, including potatoes (97.3%), other vegetables (89.2%), wool (72.6%), eggs (26%), milk (45.9%), meat (54.5%), and grain (6.6%).

Collective Entities

In Novosibirsk now there are 583 registered collective enterprises (collective farms, state farms, joint stock companies, etc.). They employ 120,000 workers and the number is always dropping (30% since 1992). Almost 90 percent of the collective enterprises cannot pay their bills.

In comparison with 1991, production of grain in collectives has fallen to half its previous level, potatoes, one seventh, vegetables, less than one third. Collective farms

own half of all livestock, but the numbers continue to drop. Meat and milk output is about 75 percent of the previous level and wool production is less than one tenth of what it used to be. Overall production has dropped by about 50 percent. This decline is the result of low crop and animal productivity, a reduction in the amount of arable land, the fewer cattle and poultry.

The amount of equipment has dropped and the collectives own only one third of the tractors they held in the beginning of the decade. There is a catastrophic shortage of combines. The use of fertilizers has plunged. Every year 10 villages disappear from maps of the oblast.

Political leaders at all levels try to preserve these collective entities at any cost, claiming the need to maintain large-scale production on the grounds that it is more efficient. However, the most reliable defenders of these enterprises are their directors, since for them it is simply a matter of power. Of course, the most conscientious directors long ago became private farmers (about half of all private farmers are former directors and agricultural specialists) and those who remain are self-interested bureaucrats, who seek to maintain the status quo as long as possible.

Private Sector

Novosibirsk Oblast boasts 5,000 officially registered private farm enterprises. They have an average of 76 hectares and generally produce grain, potatoes, vegetables, and various kinds of feed.

Additionally, there are 315,000 peasant families. The size of their farms depend on the number of working-age family members available, how much land they have acquired, and the amount of equipment they own.

The private sector owns 12,000 tractors and 1,000 combines. About a quarter of the families have their own animals, making up about half the livestock of the oblast. The level of animal ownership has stayed about the same during 1991-1998, in contrast to what happened in the collective agricultural enterprises. Since many of these families own as many animals as some officially registered farmers, the real number of farmers in the oblast is more like 55,000.

Urban families work an additional 578,000 parcels of land and use them to grow vegetables. Many families work these plots in their free time and sell extra produce in markets. Accordingly, 80 percent of all urban and rural families have plots and effectively make up the private agricultural sector. This sector is slowly increasing production of milk, vegetables, wool, eggs, and pork. By contributing their own labor, people keep prices low.

Most have no idea about the content of the existing legislation on agricultural activity or the possibility of receiving credits. Nevertheless, Novosibirsk Oblast has a law on land use and a draft program on developing agricultural cooperation in 1999-2005. Moreover, the oblast now produces more agricultural goods than it can consume.

Success Stories

As the agricultural expert V. N. Perekrestov explained, there is no point in interviewing farmers since no one will tell you the truth about what they are really doing. They fear

unwanted attention from the authorities. That is exactly what happened when we attempted to talk to members of a group of 30 farmers who gathered for a seminar on agricultural legislation: they all averted their eyes and remained silent. Then one said openly, "We don't need any more attention from the tax police. If we revealed everything we do, our businesses would be ruined." Only two agreed to describe what they were doing, and only without numbers:

Farmer #1: This farmer has a registered farm. He began working in 1995 with his two brothers and father. They gained their land after the disintegration of their collective farm. They also rent part of their land. They bought a tractor on credit. They grow their own feed which they use to feed their livestock. During the first year they had to borrow money and buy seeds. Over the next two years, the brothers slowly dropped out and the farm collapsed. He and his father started again. Now the farm has 50 cattle and 200 pigs. They have built a line for processing milk, cream, and sour cream. They also produce their own salami. They personally sell all products directly to consumers, although they employ 30 workers. Now they are building a mini-bakery which will bake bread for their workers and for sale.

Farmer #2: This farmer is a resident of Novosibirsk and is an engineer by training. In 1992, together with 15 other like-minded individuals, he decided to take up farming and received 15 hectares in Moshkovskii Raion. He combined his own money with bank credits ("then it was easy"), and bought a tractor and seeds. The land turned out to be relatively bad, and the seeds were not of the highest quality either. Nevertheless, he and his group managed to pay off his credit in the first year. He only lived on the farm from spring to fall and spent the winter in the city. During the winter, the local residents stole everything they could take. The next year, he only planted three hectares. He said that the farm does not produce any income. Of the original 15 who started out, only 8 remain involved. Despite all these problems, he does not intend to drop out of farming because "the wind is blowing in the right direction, and I think that in Russia as elsewhere in the world, farming will continue to grow." He hopes to extend his cooperation in the coming years. He does not really want to work with others outside his immediate group, but their farm equipment is growing old and it will be impossible to buy more by themselves. He would like to buy some livestock since he believes that it is a profitable business. He thinks that the main reason his farm has not succeeded was because he was not part of the local rural power structure - the locals took the best land and knew how and where to buy everything else cheaply. He considers his experience an anti-success story. - Irina Maslennikova in Novosibirsk

RESEARCH REPORT

WHAT MAKES NOVGOROD A SUCCESS? Novgorod is always at the top of the list of economic success stories among Russian regions. With Governor Mikhail Prusak at the helm, this region has turned its economy around and is successfully attracting foreign investment. Novgorod has jumped to second in Russia in terms of foreign investment per capita, behind only Moscow, and third in terms of economic development. When Prusak first came to power in 1991, the region was ranked 63rd in Russia. Now,

more than half of Novgorod's industrial output is the result of foreign investment, and 80 percent of all overall investment in the oblast is from foreign sources (*EWI Russian Regional Report*, 5 March 1998). The World Bank has deemed Novgorod one of the top six Russian regions with the most favorable investment climate (*Novgorodskii Opyt Reform Ekonomiki Regional i Munitsipalnykh Obrazovaniy*, Moscow 1998).

There are many factors that have contributed to Novgorod's success at attracting the much sought-after foreign investment. Prusak has made drawing in foreign capital his top economic goal and the region has implemented several investor-friendly policies, including substantial tax breaks, contributing to its attractiveness. However, several other regions have also offered various tax breaks and investment incentives to draw in foreign capital, and often the industrial composition of these regions would seem more attractive to foreign investors than that of Novgorod. For example, in a 1999 survey by *Ekspert* magazine the region was rated 64 out of Russia's 89 regions in terms of investment potential. In the same *Ekspert* survey, Novgorod was listed number seven in terms of investment risks, largely in part due to the region's legislative policies, which were rated the best of any region. Yet, if Novgorod and Prusak are not unique in offering tax holidays and other benefits, what distinguishes it from other regions and governors that are striving to achieve similar economic success?

According to Nicolai Petro's "Creating Social Capital in Russia: The Novgorod Model," "What makes Novgorod unusual among Russian regions has been the local elites embrace of cultural traditions that stress self-government and openness to foreign investment." Petro argues that Novgorod's present success is in large part due to its leaders' ability to capitalize on the region's historical significance in the country's economic and political development to aid in establishing functioning local government structures and market mechanisms. These are the same arguments that Prusak himself lists for his region's success in attracting foreign investment (*EWI Russian Regional Investor*, 29 April).

Unlike many other regions that have rolled out the red carpet for foreign investors over the past few years, Novgorod more quickly restructured its economic base, divesting social assets from oblast and municipal responsibility. The region's rapid privatization meant fewer financial burdens for budgets, making it possible to exempt foreign investors from regional and local taxes until their initial investment was recouped. Novgorod's economic structure was reorganized to replace dependence on the industrial tax base with reliance on personal income taxes. Changing the region's source of income made it possible for the oblast to successfully reform several social programs and reduce its reliance on federal subsidies, ultimately leading to a modest increase in people's real incomes. Additionally, Novgorod reconstructed its budgeting apparatus to form budgets at the local, rather than regional, level. Petro argues that this change has forced local administrators to become more effective managers, which in turn has reduced reliance on federal subsidies and led to improved social cohesion as people express their grievances to local and regional officials. Presumably, the efficiency and prosperity of the regional economy has made foreign investors feel secure about the likelihood of their success in the region.

Although these factors most certainly paved the way for Novgorod's initial success and head start in successful market building over other regions, it does not account for the longevity of the region's economic success and continued role as an

investment magnet. According to Alexei Beltyukov of McKinsey & Company, who commented on Novgorod at a recent meeting of the American Chamber of Commerce in Russia, an important attribute in the region's success at attracting investment is its ability to minimize bureaucratic obstacles. When a potential investor comes to Novgorod, he is assigned to a bureaucrat in the regional administration who does the footwork for the investor, making it possible for him to pass through the numerous bureaucratic procedures required for setting up a business with relative ease. Beltyukov pointed out that the regional government's decision to "undertake the responsibility to fix the red tape" was probably a very important factor for many investors in addition to the lucrative tax holidays.

Thus, while it may seem that Novgorod has made business dealings in the region less politicized by privatizing state assets and codifying business incentives in legislation, it is Prusak's ability to turn the bureaucracy from a faceless hydra into a more workable organism that sways investors to choose Novgorod over other regions. As a result, the region's economic wealth and stability are very much linked to Prusak's administration. When the governor ultimately steps down (presumably in 2003), several of the mechanisms that have brought the region to its high point could go with him. Prusak may be an attractive figure to foreigners, but his charm has not brought in domestic investment. The region's dependence on foreign investment has led to unbalanced economic development. As Petro points out, the August 1998 financial crisis caused foreign direct investment to fall more than 40 percent, leaving a 21 million ruble shortfall in the 1998 budget. Yet, 1999 investment is back up and proving higher than in 1997. Nevertheless, Prusak and his administration will need to focus more energy into their initiatives, promoting small business development and domestic industry for Novgorod to remain a success story. - Danielle Lussier

BOOKS WORTH READING

GORBACHEV: THE SOVIET LEADER WHO CAME BACK

Mikhail Gorbachev, *On My Country and the World*, trans. George Shriver, Columbia University Press, 1999. 274 pp., \$29.95.

Reviewed by Nina Khrushcheva, EastWest Institute

NEW YORK - When asked why he keeps writing books, after a moment's hesitation Mikhail Gorbachev replied matter-of-factly, "I have something to say." Even more so, he feels COMPELLED to say it. History is all that is left for a man who recast the world and then left office - how people perceive him in their own memories, and how the leader's memoirs shape the understandings of his actions by future generations. The sad fate of Russian leaders throughout this century is that, in their lifetimes, they were never aware of how they would be judged by posterity (unless of course, they believed their own personality cults). Most of them, being either dead or locked out of power long before rumors would start to materialize into memories, were utterly dependent on the official histories, and what little documentation of their deeds seeped out to the west. As for their own memoirs, if any Russian leader in the communist era did sit down and write

them, there was no chance for anyone to see the book except the writer himself, at least not in his lifetime. Nikita Khrushchev's memoirs are the best example of this fate.

Gorbachev, however, has had it somewhat different, though you cannot say he has been luckier. By declaring the age of glasnost he exposed himself to constant criticism, sniping from his enemies in the party, open and, yes, joyous criticism from the public. For the last ten years, since his fall from power, Gorbachev has been almost too available, and so became a target for accusations hurled from all directions: for beginning perestroika, for beginning it the wrong way, for being too radical, too conservative, for doing too little, for doing it too late, for showing off too much...

While Russia was making the transition from socialism to non-socialism, the advantages of the traditional Soviet non-existence, he once told me, had been much on his mind. Being a brave romantic he was yet courageous enough to register as a candidate for the 1996 Russian presidential elections. The world laughed: Gorbachev had less than a one percent chance at success. What the world (and Russians in particular) could not and did not understand was that Gorbachev's presidential bid was not about victory, but about democratic procedure; it was not about power, but about becoming the first leader in Russian history who did not vanish after surrendering power without a bullet being fired in his defense. Gorbachev suffered the indignities of ridicule in his quixotic quest to continue as a politician, however unsuccessful according to world opinion, because he was determined to incarnate the values of tolerance and simple decency that his regime had introduced to Russia. Gorbachev's presidential campaign was considered a humiliation by many, while in fact it was a very brave act of refusal to abide by the rules and traditions of a totalitarian society - the simple dictate that once you are out you are dead.

Nineteen ninety-nine, 10 years after he left office, has been a year of return for Gorbachev. It has not been without pain and grief. Raisa, his devoted and life-long companion, passed away in September only two days before what would have been their forty-second wedding anniversary. Gorbachev's grief was palpable, and enormous; so, too, surprisingly was the grief of Russians who didn't particularly care for Raisa Maksimovna while she was alive. It's not that she was not a good first lady, for Russians raised on the invisible wives of the Kremlin elite, she was too good - too elegant, too outspoken, too visible. Thousands came to mourn and bid farewell to her.

Raisa's death marked the beginning of Gorbachev's return, return as a voice that matters, in Russia. It was as if by losing his wife he paid for his imperfections, and those who could not forgive him for being a person instead of just a ruler all of sudden discovered that in comparison with the selfishness that Yeltsin's policies incarnated, Gorbachev was not so bad after all. Besides, the tenth anniversary of the fall of the Berlin Wall and the Czech Velvet Revolution, along with the fall of communism across the former satellite states, define the last decade of this century and are widely celebrated in Europe, with Gorbachev recognized - by Helmut Kohl and George Bush alike - as the architect of those epochal events. If it weren't for Gorbachev, the events that defined the end of our century might not have happened altogether, or, if they did, might well have been soaked in blood. And after ten years Russians, accustomed and appreciative of open borders, are now ready to join the West in praising Mikhail Sergeevich as a hero of our time, and all time.

On My Country and the World is Gorbachev's own overview of what he has achieved. Totalitarianism, socialism, perestroika, democracy and globalization are just a few of the subjects he scrutinizes. Some of his assessments, such as that "there was no socialism" in Russia after 1917, that things simply went wrong following the revolution, sound convincing. Some, such as that the October revolution of 1917 was comparable to perestroika, may be true in terms of historical importance but I would be hesitant to call Lenin's "democracy of the proletariat" a true democratic development. And when Gorbachev, chapter after chapter, discusses the possibility of preserving the Soviet Union after the 1991 coup, the dissolution seemingly only the result of a Yeltsin conspiracy, his arguments are truly subjective.

Yeltsin altogether appears to be the main source of Gorbachev's dissatisfaction: "Looking back now at everything that happened, it is evident to me that the main orientation of Yeltsin and his entourage was to pursue a course aimed at the dissolution of the Soviet Union, at taking control of Russia, so as to seize power for themselves" (110). Yeltsin's rule over the country according to personal whim (the assault on parliament in 1993, the ongoing war in Chechnya since 1994) distress Gorbachev, who partially attributes his own loss of power to his efforts to be a good man, to do things humanely and not fight tooth and nail as Yeltsin has done, to his fall. At a certain point he states, "The lessons I have drawn from the whole tragic history is that the authorities cannot get by without using force in extreme situations" (97).

Despite such conclusions, the book suggests that Gorbachev was able to survive as a great man precisely because he stopped being a ruler, because his ideas and beliefs were and still are more important for him than power. He was also strong enough to keep going in order to witness his own return to recognition; a return due to his self-evident humanity, which enables him to see perestroika's political legacy appreciated in his lifetime, and his deeds assessed in a historical perspective, focusing on achievements rather than failures. Such a leader's fate is routine in Western democracies, but is quite unique applied to Russia. And this is not only a victory for Gorbachev, glasnost and perestroika, but for the country itself - if it has learnt to appreciate its living leaders, it retains hope for the future. Among the legacies a politician can leave his country, hope may be the greatest.

Nina Khrushcheva is director of communications and special projects at the EastWest Institute in New York.

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Federal Trends

+++++Only a month is left before the State Duma elections and the situation remains calm. Although activity is likely to heat up closer to 19 December, the general climate at both the federal and regional levels is stable, suggesting that the elections should occur without any major setbacks or scandals.

+++++Most regions have adopted economic and social development plans. Several programs, such as in Samara, have proven effective, while others have not been successfully implemented. However, the fact that even the least prosperous regions have thought through regional development plans indicates an incipient positive trend towards self-sufficiency and less reliance on the center for aid.

-----A St. Petersburg court upheld the decision of the St. Petersburg Legislative Assembly last month moving the city's gubernatorial elections up from spring 2000 to December 1999. The decision had been made in spite of multiple violations in the assembly's procedures. Judicial tolerance for such blatant disregard of legislative procedures only further impedes the development of democracy in the regions.

+++++Changing patterns in foreign investment going into St. Petersburg suggest that the upsurge of investment the city received in the first half of 1999 is coming from Russian individuals and corporations who had preferred to keep their money abroad. This slow return of capital to the Russian market is a positive development necessary for stable, long-term economic growth.

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Elections 1999/2000

McFaul on State Duma Election Prospects

Single-Member Seat Voting: The Situation in 29 Districts

Peculiarities of the Duma Campaign in Sverdlovsk Oblast

District 158: The View from the Inside

Electoral Situation Surprisingly Calm

Planning for Regional Development

Dagestan: Lack of Money, Government Changes Create Problems

Kursk: Poor Political Leadership Blocks Plan Implementation

Komi: Partially Implemented Plan Focuses on Key Industries

Irkutsk: Six-Point Plan Defines Investment Priorities

Perm: Lack of Federal Attention Means No Plan

Novgorod: "Over Six Years, We Have Prepared a Set of Guidelines"

Center-Periphery Relations

Shaburasulov Visits Kareliya

Regional Resources

The Novgorod Model

Advertisements

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BREAKING NEWS

POLITICS

COURT UPHOLDS EARLY ELECTIONS IN ST. PETERSBURG. On 15 November the St. Petersburg Municipal Court ruled that St. Petersburg's decision to move up its gubernatorial elections from spring 2000 to 19 December was legal. The decision to hold the early elections has the strong support of Governor Vladimir Yakovlev. The local Yabloko branch, two legal defenders, and a member of the City Duma had filed a claim questioning the legality of the decision. A law moving up the elections was adopted by the St. Petersburg Legislative Assembly in October in direct violation of the body's procedural rules (*EWI Russian Regional Report*, 14 October). Yabloko presented strong evidence for its case, including documents verifying that one of the deputies who had supposedly voted in favor of moving up the election was in fact in Moscow while the vote was taking place. Nevertheless, the court ruled against the governor's opponents. The case is now being appealed to the Supreme Court, but the election date is also rapidly approaching, leaving little time for maneuver. (*Kommersant Daily*, 13 and 16 November)

ECONOMICS

BP/AMOCO CONSIDERS CHANGING ITS ROLE IN RUSSIA. BP/Amoco, one of the top foreign investors in the Russian market, is contemplating pulling out of the country, *The Moscow Times* reported on 11 November. BP/Amoco, which owns a 10 percent stake in the bankrupt Sidanko, has experienced considerable difficulty deriving full value from this investment since Sidanko was declared bankrupt in May (see *EWI Russian Regional Report*, 27 May). BP/Amoco has watched many of its assets disappear as court decisions regarding Sidanko subsidiaries have consistently gone against the foreign investor. Last month the Tyumen Oil Company (TNK) purchased Sidanko subsidiary Kondpetroleum at a price much lower than its estimated value, angering BP/Amoco, which claims that the sale violated its shareholder and creditor's rights (*EWI Russian Regional Report*, 28 October).

On 26 November another Sidanko subsidiary, Chernogorneft, will be put up for auction to pay off Sidanko's debts. Once again, TNK, which owns 60 percent of Chernogorneft's debt, is the prime buyer. Howard Chase, spokesman for BP/Amoco in Moscow said that Chernogorneft "in no sense can be described as bankrupt. It is a viable

company. The bankruptcy law is being used to enforce transfer of ownership even though the business is not bankrupt. Chernogoroneft is making more than enough money to satisfy the creditors." BP/Amoco is refusing to participate in the Chernogoroneft auction as well as in the tender for a 49.8 percent stake in TNK, which will occur in December and could give BP/Amoco a bargaining chip (*EWI Russian Regional Investor*, 10 November). The company has also stated that it will "reconsider its position in Russia" if TNK gets Chernogoroneft.

BP/Amoco has invested close to \$1 billion in Russia. It purchased the Sidanko stake for \$571 million, owns a 22 percent stake in Rusia Petroleum, and has opened a network of filling stations in the Moscow area.

GERMANY'S HOLSTEN WANTS TO BREW IN KALUGA. The famous German beer company Holsten plans to open up production in Russia in Spring 2000. If the Germans follow through with these plans, competition in the domestic beer industry will increase substantially.

Holsten was the first major foreign brewery to consider producing in Russia. In 1993 the German company wanted to buy a 20 percent stake in St. Petersburg's Stepan Razin brewery. Holsten promised to invest DM 8 million into modernizing the factory, but no agreement was ever reached. Unable to secure a domestic production base, Holsten focused on sending imports into the Russian market and controlled about 15 percent of the Russian beer market from 1993 to 1995. When import tariffs were raised to 30 percent, Holsten sales dropped 50 percent. Its business collapsed altogether after the August 1998 crisis. It was at this point that the company began active negotiations with Russian breweries.

Initially Holsten negotiated with Baltika, but the two sides could not agree on terms. Now Holsten is courting South African Breweries, which produces Zolotaya Bochka beer in its Kaluga brewery. Holsten and South African Breweries are expected to sign a licensing agreement on producing the German beer in Kaluga before the end of this year. (*Kommersant Daily*, 12 November)

EES CHOOSES SAMARAENERGO FOR PILOT PROJECT. By the end of this year Unified Energy Systems (EES) subsidiary Samaraenergo will be split up into three parts--production, transport, and sales, after which EES's share in the company will be reduced to a blocking stake and the remaining shares will be sold off to private investors. This is just one of the first steps of EES's major restructuring program (for details on the program see *EWI Russian Regional Report*, 4 November). According to EES Deputy Chairman Valentin Zavadnikov the division and sale of Samaraenergo will serve as a pilot program for liberalizing the power market. Once EES has reduced its monopoly over the Russian power market then prices for electricity will be determined by market mechanisms. *Vremya MN* stated on 15 November that the close relationship between EES Chairman Anatolii Chubais and Samara Governor Konstantin Titov likely contributed to EES's decision to conduct the pilot project with Samaraenergo (*EWI Russian Regional Report*, 29 September).

ELECTIONS 1999/2000

MCFAUL ON STATE DUMA ELECTION PROSPECTS. The 1999 State Duma elections are remarkable precisely because they are so "unremarkable," since Russians have become used to regular elections in their country, according to Michael McFaul, a Senior Fellow at the Carnegie Endowment for International Peace and a professor at Stanford University, speaking at a luncheon organized by the U.S.-Russia Business Council on 8 November in New York City.

McFaul's talk emphasized several other key features of the campaign. Rules of the game and electoral districts are firmly in place and no serious challenge to their composition is in the making, which bodes well for party development and the consolidation of democracy.

Additionally, political parties are further consolidating their position during this electoral season. Although 28 parties are currently registered, voters are likely to dismiss most of them and not waste their votes on clear losers, as they did in 1995. Accordingly, many of the same major parties will dominate the next Duma, which implies a further step toward formation of a coherent party system.

Party platforms have become more centrist, as radical groups on both sides of the spectrum are marginalized. The Otechestvo-Vsya Rossiya (OVR) bloc in particular has become a locus of centrist forces, which means that a true centrist party is possibly emerging in Russia.

At the same time, the political left is more divided than ever, and the Communists, who are likely to retain their usual 30 percent of the proportional representation vote, will most likely lose their current grip over the parliament.

In contrast to the 1995 elections, regional leaders are aggressively involved in the campaign, aiming to push candidates loyal to them into the Duma, making it even more likely that the future Duma is moving toward the center. Consequently, the Duma elected this year will look more like the 1993 Duma than the present lower house. It will be more centrist, with no single party commanding a majority, resulting in coalition-driven politics. It is also likely to be more coherent and play a more important role in Russia's policymaking, provided that the future president is willing to cooperate.

Acknowledging some negative trends, McFaul pointed out the heavy presence of criminal elements on the party lists, the high probability of falsification in many single-member districts, and rampant violations of campaign finance rules. In this context, the Central Electoral Commission can emerge as a dangerously powerful body because it can arbitrarily prosecute and disqualify candidates it does not like on the grounds of legal violations, even though virtually everybody will be violating these rules.

Looking toward the June 2000 presidential elections, the current Duma campaign is a referendum on the political future of former Prime Minister Yevgenii Primakov, but not on the future of sitting Prime Minister Vladimir Putin, whose "referendum" is now taking place in Chechnya, McFaul concluded. - Natan Shklyar in New York

SINGLE-MEMBER SEAT VOTING: THE SITUATION IN 29 DISTRICTS

Half of the 450 State Duma deputies that will be elected on 19 December will represent single-member districts spread throughout Russia's regions. Each region has at least one seat to ensure its representation in the parliament's lower house, with Moscow City claiming the highest number of seats at 15. In many respects the results of these races are

of much greater importance to the regions than the outcome of party list-voting, as the winners play a key role in both the local political scene and in center-periphery relations.

The State Duma deputies elected from single-member districts represent one of the five means of access to the center for the regions, the others being the regional executive and regional duma speaker, who are members of the Federation Council, the presidential representative in the region, and the region's representative in Moscow. Playing such an important role in a region's political structure, these deputies are held accountable for their actions back in their home districts, and voters are becoming more and more likely to make their opinion known at the ballot box.

While many polling agencies have published data on the popularity of Russia's political parties, there is much less information available on who will win in the single-member district races. In an attempt to present a more balanced picture of the new Duma's possible composition, we offer the following brief descriptions of races in 29 of the 225 single-seat districts as compiled by the RRR correspondents on the ground in the respective regions.

Republic of Kabardino -Balkariya

District 13 - Among the five candidates seeking the seat in District 13, incumbent State Duma Deputy Vladimir Sokhov stands the best chance of winning. In the 1995 elections Sokhov was supported by Our Home is Russia (NDR), but this time he has registered as an independent candidate. Many republican officials are backing Sokhov, leaving Ruslan Teuvazhkov as the only candidate to offer him any real competition. Teuvazhkov, who has also registered as an independent, is the editor of the *Iz ruk v ruki* newspaper. - Svetlana Belaya

Republic of Kareliya

District 16 - The most likely winner of Kareliya's single-seat is Chairwoman of the Kareliyan Legislative Assembly's House of Representatives and Federation Council member, Valentina Pivnenko. Her closest contender is leader of Yabloko's local branch, Kareliyan Legislative Assembly Deputy Aleksandr Chazhengin. Officially, Pivnenko is listed as an independent candidate, but by all indications she has the support of Kareliya's Prime Minister Sergei Katanandov, who belongs to the Otechestvo movement, securing Pivnenko OVR votes. District 16's current Duma Deputy, Larisa Zlobina, was nearly denied registration by the Kareliya Central Electoral Commission. There is strong speculation that Chairman of the Kareliya Central Electoral Commission Aleksandr Istomin, a member of Otechestvo, tried to prevent Zlobina's registration to improve Pivnenko's chances. As the only two women running for the seat there is strong competition between Zlobina and Pivnenko for the sympathy of the electorate that hopes to see a woman take the State Duma seat. - Boris Matveev

Komi Republic

District 17 - The race in District 17 opened with a sensation as the top two contenders, current seat holder Rita Chistokhodova and Chairwoman of the Soldiers' Mothers

republican council, Lyudmila Zavyalova, were denied registration due to nominating procedure violations. Among the remaining candidates, Valerii Markov, Deputy Speaker of the Komi Republic State Council and leader of the Komi National Movement, is in a good position. He has the support of the republican authorities. Other strong contenders include Chairman of the Independent Union of Coal Workers Ivan Mokhnachuk and Chairman of the local Yabloko branch, Nikolai Moiseev. - Yurii Shabaev

Arkhangelsk Oblast

District 59 - The leader in District 59 is Aleksandr Piskunov, deputy head of the Russian Federation Government Apparatus. Piskunov, who is running as the OVR candidate, has the support of Arkhangelsk Governor Anatolii Yefremov. Piskunov's top competition is KPRF State Duma Deputy Vasilii Grishin, yet Grishin's chances of winning the seat are relatively low. Other contenders include Tatyana Podyakov, a doctor with close connections to the KPRF, Ivan Bentsa, the editor-in-chief of the newspaper *Pravda Severa*, and Vladislav Goldin of Spiritual Heritage.

District 60 - The KPRF definitely has a strong position in this race. The problem, however, results from the fact that two KPRF State Duma deputies are competing for the seat. The current incumbent and official KPRF candidate is Yurii Guskov, who is being challenged by Tamara Gudima, a deputy who earned her current spot from the KPRF party list. If one candidate leaves the race, the other will definitely win. Otherwise, it is very possible that they will split the vote, yielding the seat to OVR candidate Vladimir Kalyamin. - Tatyana Barandova

Volgograd Oblast

District 68 - The top contenders for this seat are incumbent KPRF Deputy Aleksandr Kulikov and Lev Kirichenko, the former mayor of Volzhskii and a former first deputy governor. Although Kirichenko is an independent in this red-belt region, his chances for success are equal to, if not better, than Kulikov's.

District 69 - The race in District 69 is intriguing as it pits left against left. The favorite is KPRF Deputy Mikhail Tarantsov, a disciple of Duma Deputy Alevtina Aparina, who holds the 71st district seat. Tarantsov's top contender is Vasilii Galushkin, Volgograd's first deputy governor. Although Galushkin is running as an independent, he is a close friend of Communist Governor Nikolai Maksyuta.

District 70 - Agrarian State Duma Deputy Vladimir Plotnikov maintains his stronghold in this district. He is being challenged by former First Deputy Governor Anatolii Kraschenko, but Kraschenko is unlikely to offer Plotnikov much competition.

District 71 - KPRF Duma Deputy Alevtina Aparina is looking to hold on to her seat in the December elections, but she is receiving stiff competition from LDPR State Duma Deputy Yevgenii Ishchenko, who is running as an independent unaffiliated with Vladimir Zhirinovskiy's party. Ishchenko recently came in second in the Volgograd mayoral

elections. He fought a populist campaign and attracted the vote of elderly women, who are Aparina's primary supporters. The other State Duma deputies campaigning for the 71st seat, NDR's Vladimir Goryunov and Igor Lukashov, who is running as an independent, will become contenders only if one or the other manages to offer himself as the liberal alternative to Aparina and Ishchenko. At present there is very little chance of that happening. - Ivan Kurilla

Voronezh Oblast

District 74 - State Duma Deputy Dmitrii Rogozin is expected to hold on to his seat in the District 74 race. This is the only race in Voronezh Oblast in which the incumbent is likely to be reelected. Rogozin is a member of the Congress of Russian Communities (KRO), which briefly attempted an alliance with Otechestvo before the latter joined up with Vsyá Rossiya. Rogozin's main competitor is KPRF candidate Sergei Rudakov, who is deputy chairman of the Voronezh Oblast Duma.

District 75 - The two front runners in District 75 are businessmen Vladimir Anishchev and Mikhail Vaitsekhovskii, who stand about an equal chance of winning. Anishchev is the chairman of the board of directors of Vozrozhdenie and has held various official positions in the federal and regional government. Vaitsekhovskii is the general director of the company Taiga. Both candidates are running as independents. Current KPRF State Duma Deputy Ruslan Gostev is unlikely to win another term.

District 76 - Of the four districts in Voronezh Oblast, the race in District 76 is the easiest to predict. General Director of Agrokhiminvest Nikolai Olshanskii, an independent candidate from Moscow, is the clear leader in this contest. He has the strong support of Communist Governor Ivan Shabanov, who is choosing to back Olshanskii over KPRF candidate Anatolii Bakulin. Of the 11 registered candidates, only Bakulin and independent candidate Voronezhoblgaz General Director Ivan Lachugin are likely to take any votes from Olshanskii.

District 77 - An independent candidate from the business community is also the front runner in District 77. Chairman of the Board of Directors of Voronezhvtormet Andrei Petrochenko is in the lead, with State Duma Deputy Georgii Kostin trailing behind. Incumbent Vasilii Kobylkin is also competing, but his prospects are bleak. - Andrei Muchnik

Kursk Oblast

District 96 - KPRF candidate Nikolai Ivanov stands the best chance of becoming District 97's deputy. Ivanov, who is the deputy chairman of the Oblast Duma, is well known in the district. He presents himself as a "man of the people," and his 30 percent showing in the Kursk mayoral elections this past summer testifies to his popular appeal. Ivanov's top competition comes from KPRF State Duma Deputy Sergei Faleev, who was elected in 1995 from the KPRF party list. In these elections, however, Faleev is running as an independent. He was excluded from running on the KPRF ticket by the Kursk Oblast

KPRF Executive Committee since he independently established his candidacy and easily collected the 5,000 necessary signatures for his nomination. Faleev has received support in the press, on both radio and television, and he has experience in the State Duma. However, Faleev is dogged by strong and persistent rumors that he is a homosexual and if evidence proving this point is revealed, Faleev is unlikely to earn many votes in this provincial district. Kursk Governor Aleksandr Rutskoï is supporting Deputy Governor Aleksandr Fedulov, who is running on the Yedinstvo ticket. Rutskoï is known for his dirty campaign tactics, so it will be interesting to see how Fedulov fairs.

District 97 - The top two candidates in District 97 are Head of the Russian Federation Audit Chamber, Petr Novikov, and OVR candidate Aleksandr Chukhraev, the chief doctor at the oblast clinical hospital. Novikov is well known in the region, and Governor Rutskoï's books have always passed his inspection. Although Rutskoï has not officially offered his support, many people believe that Novikov will have the governor's backing. Chukhraev is well known throughout Kursk for his dedication to social concerns, including social justice, salary issues, and the weak social infrastructure. He is also on friendly terms with Governor Rutskoï. Kursk Police Chief Aleksei Volkov is a serious competitor as well as current KPRF State Duma Deputy Aleksandr Potapenko. - Sergei Sarychev

Rostov Oblast

District 142 - Deputy Governor Vladimir Averchenko is heading up the race in this district. Having worked in his present post for a little over a year, Averchenko has proven himself to be an intelligent worker, yet he is not among Rostov Governor Vladimir Chub's favorites. Nevertheless, Chub is not the sort to force people out of his administration in a scandalous manner. Rather, he prefers to get rid of them quietly, by transferring them to other work, or getting them elected to the State Duma. This pattern has been used for several officials including Aleksei Dykan and Yurii Vertii. Although Averchenko will benefit from the support of the party of power, he will face strong competition from incumbent Communist State Duma Deputy Igor Bratishchev. Even though Bratishchev has had a falling out with Rostov's Communists in recent years and has joined the In Support of the Army movement, he still stands a very real chance of beating out Averchenko.

District 143 - The clear leader in the District 143 race is the head of the Oblast Roads Administration Vitkor Topilin. Topilin hopes to repair hundreds of kilometers of road, which many local officials are depending on. Topilin's competitors include the little known KPRF Chairman of the Volgodonsk Duma Nikolai Sungurov, editor of the local newspaper Grigorii Zabolotskii (Soyuz pravykh sil), and Ataman of the Don Cossacks, Nikolai Kositsyn, who is also co-chairman of the In Support of the Army movement.

District 144 - Incumbent KPRF State Duma Deputy Boris Danchenko is likely to win reelection in District 144. The oblast party of power chose not to nominate a candidate in this race, and NDR State Duma Deputy Vitalii Linnik, who lost in District 144 in the 1995 elections, failed to gather enough signatures.

District 145 - The leader in this race is the current seat-holder, KPRF State Duma Deputy Nikolai Kolomeitsev. Kolomeitsev is the secretary of the Rostov-Na-Donu KPRF City Committee and is one of the oblast's most authoritative Communist leaders. Head of the Rostov-Na-Donu city police, Yurii Vertii, is Kolomeitsev's top competitor. Both Vertii and Kolomeitsev hold equal stature as leaders in the city. Another promising candidate can be found in Boris Titenko, the regional leader of Soyuz pravyykh sil. Titenko is one of the originators of the democratic movement in Rostov and was a member of the Yegor Gaidar faction of the first State Duma and then went to work in the presidential administration. Although he has a history in the region, his stature and influence have declined considerably.

District 146 - The incumbent seat-holder, State Duma Deputy and leader of the Rostov Yabloko branch, Mikhail Yemelyanov, is also the clear leader in District 146. Yemelyanov's contenders include three representatives from the left who will probably split the protest vote. Bearing in mind that Yabloko has a traditionally good showing in Rostov, Yemelyanov should easily win another term, as long as he does not make any blunders.

District 147 - The race in District 147 has arguably received more attention throughout the country than any other single-seat contest. Director of Communications with the Moscow regional charity Uchastie, Sergei Mikhailov (better known as Mikhas) was initially registered as a candidate. He is considered to be among the leadership of the Solntsevskaya criminal group. Although his nomination papers were examined scrupulously, the regional electoral commission was unable to find grounds to prevent Mikhailov from registering his candidacy. After a few days of alleged pressure from Moscow, however, Mikhailov's registration was revoked on the grounds that he held dual citizenship with Greece. If Mikhailov does not find a way to make it back into the race, Oblast Duma Deputy Vladimir Grebenyuk will be the top contender, and his primary opponent will be Communist Nikolai Borisenko.

District 148 - The main battle in District 148 is between State Duma Deputy Vladimir Katalnikov and the recently resigned oblast police chief, General Mikhail Fetisov. Fetisov's relations with Governor Chub are on the decline, but he remains a strong figure. Still, Katalnikov has a better chance at winning. Over the past few years he has become the miners' main leader, negotiating various problems between the authorities, miners, and mining leadership and is considered indispensable by all sides. - Andrei Miroshnichenko

Sverdlovsk Oblast

District 162 - Incumbent State Duma Deputy Yevgenii Zyablitsev, a favorite among pensioners, the category of the electorate most likely to vote, is expected to win. Dirty campaigning characterizes the early race in District 162. In a case that is still under investigation, Zyablitsev has been solicited for bribe money to keep compromising material against him under cover. The main challenger, businessman Igor Kovpak has

been the subject of unpleasant rumors. He owns a network of supermarkets and also competed in the Sverdlovsk gubernatorial elections. In addition to Kovpak and Zyablitsev, Yabloko's Larisa Mishustina, a relatively well known politician, will also compete in the race. Planned visits from party leaders Grigorii Yavlinskii and Sergei Stepashin will certainly boost her popularity.

District 165 - In District 165 the clear favorite is Uralmash Leader Aleksandr Khabarov. The only contender to give him any real competition is Nadezhda Golubkova. In the by-elections for the oblast House of Representatives last year she held a clear lead, but ultimately the elections were declared invalid due to campaign violations. This situation must be taken into consideration again. Today's voters stand up to dirty campaigning by voting against all candidates. However, there are likely to be fewer dirty tricks in this district.

District 167 - In District 167 the race is between the surprising runner-up in the Sverdlovsk gubernatorial elections Aleksandr Burkov, who rallied a strong protest vote as the leader of the left-leaning Mai movement, and Commander of the Sverdlovsk Special Police (OMON) Vladimir Solovev. Although Burkov's strong showing in the August gubernatorial elections seemed to promise victory in the State Duma elections, Solovev's popularity has been boosted by the success of the military actions in Chechnya, in which the Sverdlovsk OMON is participating. Yet, the Chechen conflict is removing Solovev from the political battle. Being in the North Caucasus, he is physically unable to conduct an electoral campaign. However, there is still considerable time before election day and specialists predict that the voting in district 167 will be close. - Natalia Mints

Tver Oblast

District 173 - In sum, 18 candidates have been registered for this race. Among the top contenders are State Duma Deputies Tatyana Astrakhanina (KPRF), Aleksandr Tyagunov (NDR), Sergei Yushenkov (Soyuz pravyykh sil), and Sergei Petrenko, as well as several local level politicians and businessmen. It is unclear who the leading candidate is, but the race promises to be fierce. - Boris Goubman

Tomsk Oblast

District 174 - There is no definite leader in District 174. According to polling data the top three contenders include General Director of the Siberian Chemical Works Gennadii Khandorin, State Duma Deputy Stepan Sulakshin, whose registration was initially denied for "forgetting" to declare 190,000 rubles of income, and the 76-year old retired Yegor Ligachev, the hard-line Perestroika opponent in Gorbachev's Politburo. - Andrei Bondarenko

Ulyanovsk Oblast

District 180 - KPRF State Duma Deputy Aleksandr Kruglikov is in good position to win another term in District 180. Kruglikov is the first secretary of the Ulyanovsk Oblast

Committee of the KPRF and competed against Governor Yuri Goryachev in the region's 1996 gubernatorial elections. Although he lost to Goryachev by 8 percent, Kruglikov actually outdid the governor in the oblast center. Kruglikov's top competition is a director of an agricultural cooperative, Anatolii Golubkov, and General Director of the cooperative enterprise BIS-MOS, Sleksandr Maier.

District 181 - As in District 180, the top contender for Ulyanovsk's second Duma seat is the KPRF incumbent, Oleg Kazarov. His main competition comes from the oblast administration's candidate, General Vadim Orlov, who initially seemed to have won the support of the district's democratic groups, which hope to depose orthodox Communist Kazarov. However, the rightist camp has decided to throw its support behind OVR candidate Yuri Polyanskov, rector of the Ulyanovsk State University. Nevertheless, Kazarov stands the best chance of dethroning Kazarov. His name is frequently mentioned as of late since his 31st brigade is participating in the conflicts in Dagestan and Chechnya. - Sergei Gogin

PECULIARITIES OF THE DUMA CAMPAIGN IN SVERDLOVSK OBLAST. Of the 28 blocs registered to compete in the State Duma elections, only four have shown any real activity in the Urals: Yabloko, Otechestvo, Yedinstvo, and Mir. Trud. Mai.

Yabloko has been the most active campaigner, holding two press conferences over the last several days at which party members presented the party's program. One of their main campaign points is keeping criminals from coming to power. Additionally, Yabloko has spoken in favor of lowering the tax rate and decreasing government expenditures. These points echo Yabloko's traditional positions and indicate that the party does not intend to alter its tactics in the Urals.

Otechestvo does not have Yabloko's experience working in the region. The movement's position is further complicated by the fact that its regional leader, Yekaterinburg Mayor Arkadii Chernetskii, is concentrating on campaigning in the city's mayoral elections, which will also be held on 19 December, rather than focusing his energies on the State Duma race. Aleksandr Vladislavev, a member of Otechestvo's political council, visited Yekaterinburg last week and assured locals that there was nothing wrong with this situation. But he also tried to boost relations with oblast authorities as the internal political situation in Sverdlovsk Oblast is another problem for Otechestvo. With Chernetskii in charge of the Otechetvo regional branch, the group must constantly try to avoid conflict with Sverdlovsk Governor Eduard Rossel, who defeated Chernetskii in last August's gubernatorial elections. Good relations with the oblast leadership is extremely important in winning support during the elections.

Yedinstvo's situation in Sverdlovsk is even worse than Otechestvo's. There is no local Yedinstvo organization in the Urals, and there is no time to establish one before the elections. Therefore, the bloc's leadership is trying to attach itself to another regional movement. The most likely candidate is Rossel's Transformation of the Urals. However, there is already a line of other movements hoping to benefit from the support of Rossel's group and Our Home is Russia (NDR) has the first spot. Nevertheless, Yedinstvo's leaders are certain that the Transformation of the Urals will not forget them, especially as Rossel was one of the regional leaders who signed the "declaration of 39," out of which Yedinstvo emerged.

The last active movement in Sverdlovsk is Aleksandr Burkov's Mir. Trud. Mai bloc, which boosted Burkov past Chernetskii into the second round of Sverdlovsk's August gubernatorial elections. Burkov's successful showing in the elections seems likely to serve the Mai movement well in the December polls. - Natalia Mints in Yekaterinburg

DISTRICT 158: THE VIEW FROM THE INSIDE

The following article continues our series describing the State Duma race from the point of view of the Rodionov campaign in Saratov's District 158. For earlier reports in this series, see *EWI Russian Regional Report* for 11, 19, and 26 August, 2 September, and 10 October.

ELECTORAL SITUATION SURPRISINGLY CALM. The situation in Saratov Oblast is calm and good humored. So far, the predictions of many observers that the State Duma elections would be marked by an intense battle between the candidates, parties, and influential financial-economic groups have not been realized. The authorities have simply frightened the candidates too long, and the laws are too tough, for them to resort to dirty tricks from the very beginning.

Experts believe that the calm is the result of two factors. First, many of the candidates simply do not have enough money. Only a handful of the 30 candidates registered in Saratov's four districts control sufficient funds to fully finance their campaigns. In District 158, this includes Vladimir Rodionov, the president of the Avtodor Basketball team, Arkadii Yevstafev, Anatolii Chubais' former press secretary who is well known for his participation in the \$500,000 Xerox box scandal of the 1996 presidential campaign, and incumbent State Duma member Vladimir Gusev. Valeri Rashkin, the first secretary of the Communist Party of the Russian Federation (KPRF) obkom, believes that he does not need a lot of money since he will automatically attract the protest vote. According to the latest opinion polls, 28 percent of the Saratov voters are prepared to vote for the Communists. Another candidate in the district, Oleg Proskurin, the deputy director of the Institute for Entrepreneurship and Agrobusiness, published an open letter in the newspaper *Saratov* asking voters to provide him with financial support. His thinly disguised appeal for funds ran as a letter to the editor.

The second reason for the relative calm in Saratov's four districts is a result of authoritarian regime established in the oblast by Governor Dmitrii Ayatskov. Except for the Communists, none of the candidates has taken a clear stand against him. Practically all candidates have visited Ayatskov to win his blessing, and he has apparently not refused to give it to anyone. Characteristically, he only releases the "governor's list" of candidates informally within the walls of power, but publicly he has said nothing about which candidates he supports. Therefore many of the candidates still harbor the hope that the governor will support them.

Of course, the governor will never release his list of approved candidates. Ayatskov is basically supporting several candidates in each district so that he will be with the winner on election day. This strategy is particularly noticeable in District 158, where the governor is supporting General Yurii Usynin, the head of the Saratov Rocket School, and Yevstafev.

As a result, the campaign is moving along sluggishly, and the media only mentions Rodionov (the most active candidate in the race), Yevstafev (whose latest campaign slogan "Guess who he is" is viewed as a mistake by many observers) and, in the neighboring district 159, Viktor Tyukhtin. Tyukhtin's campaign is largely based on the tabloid newspaper *Novyi reporter*, which is running a contest in which readers guess who will win the campaign. Not surprisingly, they always pick Tyukhtin. According to candidate Marina Aleshinaya, the district electoral committee has warned Tyukhtin three times that his tactics are violating the law.

The political blocs are doing most of the campaigning. Otechestvo-Vsya Rossiya is in a league by itself. It brought its superstar, former Prime Minister Yevgenii Primakov, to Saratov not long ago. His visit to the region gained much more attention than a similar visit by Our Home is Russia's (NDR) filmmaker Nikita Mikhalkov. NDR's Vladimir Ryzhkov's visit also generated far less heat than Primakov's.

One of the major mysteries of the campaign is why the Communists have been so quiet at the national and Saratov levels. No major Communist leader has visited the region. Some of the media are artificially turning the Communists into the main enemy and they have not been able to organize any kind of response. They have simply fallen from the focus of the political battle. It looks like the Communists will lose in all four Saratov districts.

Many expect that most of the scandals in the campaign will take place at the end of November, when some candidates uncork attack ads. To discredit Yevstafev, for example, the Communists are planning to publish and widely distribute the candidate's official biography without any edits. During the campaign, Yevstafev is trying to hide his work with Chubais and his involvement in the \$500,000 Xerox box scandal. The Communists will also reprint articles published in *Moskovskii komsomolets* in 1996 laying out the chronology of events surrounding the scandal. - Yuliya Yeliseeva in Saratov

PLANNING FOR REGIONAL DEVELOPMENT

In the Soviet Union, the plan was everything. Or, at least, that was the theory. With the collapse of Communism, central planning was one of the first things to go. But even in the most staunchly liberal market economies, households, enterprises, and regional governments adopt explicit plans to chart their future directions. Below we examine the regional development plans of a variety of regions across Russia.

The effectiveness of these plans varies by region. In some regions, such as Samara, there is strong leadership that has clear goals in mind and is working toward achieving them. With an implicit plan in mind, the oblast is focusing its efforts on seeking greater investment (for the analysis of Samara, see EWI Russian Regional Report, 14 October). Beyond attracting investment, the most sensible plans, such as those adopted in Komi and Irkutsk, focus on developing key industries in the regional economy, be it the energy sector, mining, forestry, or something else. By focusing their efforts on building up their regions' comparative advantages, leaders in these regions seem to overcome the wider national problems that hinder all regions.

Even what seem to be good plans do not always work effectively. In 1998, St. Petersburg adopted a comprehensive strategic plan (EWI Russian Regional Report, 19

March 1998), but it was not very successful in shaping subsequent developments in the city (EWI Russian Regional Report, 24 June 1999).

The less successful regions face a number of problems in implementing regional development plans. Top among them are:

- *macro-economic problems, including the 17 August 1998 economic crisis*
- *a lack of investment capital, particularly for regions heavily dependent on the federal government*

- *Russia's overall political instability*

- *constant changes in the federal government and no follow-up on the plans of previous governments*

- *poor communication between federal and regional officials*

- *incompetent regional political leadership*

- *constant change among regional administration personnel*

- *ethnic conflict in the North Caucasus.*

In many of the cases briefly described below, these problems have thwarted attempts by regions to adopt and implement coherent development plans.

DAGESTAN: LACK OF MONEY, GOVERNMENT CHANGES CREATE

PROBLEMS. "The republic's regional development plan, the basis for which was laid by Prime Minister Viktor Chernomyrdin's government, has remained nothing but a plan. The majority of its points are only recommendations. They do not take into account the unstable political situation and the fact that Dagestan relies on federal subsidies for 80 percent of its budget," according to Eduard Urazaev, the head of the Dagestan State Council and Government Press Service.

There are many reasons that the plan remains only on paper. The Moscow Institute for Regional Economic Development prepared a federal program for stabilizing the republic's social-economic development until 2001 and it was adopted by Sergei Kirienko's government in July 1998. The program has 328 points and fills five weighty tomes, of which the specialists at the Dagestan Economics Ministry Department of Forecasting have seen only two. The plan has not been implemented for a lack of funding. This year the federal government was supposed to provide one billion rubles for these programs, but only managed to deliver 172 million. Several of the projects were based on the assumption that the share of federal subsidies in the Dagestani budget would drop from 80 to 25 percent by 2003.

Moreover, all the figures in the plan were set before the August 1998 crisis and now must be recalculated to take into account the new value of the ruble. When Kirienko's government adopted the program (with Russian Government Directive 931), it stipulated that the cost figures would be updated every year, taking into account the expenditures of the federal budget. These updates have not taken place.

The plans adopted by one prime minister were always changed when a new prime minister came into office. Thus, in February 1999 then First Deputy Prime Minister Vadim Gustov, serving under Prime Minister Yevgenii Primakov, adopted several amendments to the program that had been adopted under Kirienko. These amendments sought to turn the republic into a transportation hub, develop its fuel and energy complex, ensure defense contracts for the Dagdizel and Kizlyar Electro-Mechanical Factory, and upgrade Makhachkala's port and airport to international status, among other goals. In

June Prime Minister Sergei Stepashin visited the republic and, as a result, the so-called Stepashin protocol was adopted. It contained 38 points that were supposed to guarantee rapid social and economic stabilization in Dagestan.

Despite all these programs and plans, Dagestan's industrial output is only one sixth of the 1990 level. Besides the overall problems in Russia, there are several reasons for this decline. First, most of the republic's large enterprises work in the defense sector and the state is no longer buying military products. The few civilian enterprises in the republic did not produce final products which could be sold on the market. Moreover, up to 95 percent of the raw materials for this production came from other regions of the country and following the introduction of a blockade during the Chechen war these enterprises practically had to shut down.

Second, the Chechen war and Russia's general political instability have scared off many foreign investors who might otherwise be interested in such sectors as tourism, wine-making, and folk crafts. In the mid-1990s there were many joint venture plans: the Italian firm Girola was working on completely reconstructing the Makhachkala port, ferry service to Iran was being considered, and Turkey was developing Turkish business. The Chechen war made all of these projects impossible. Additionally, many foreigners fled the region because they feared that they would be kidnapped. - Zaira Abdullaeva in Makhachkala

KURSK: POOR POLITICAL LEADERSHIP BLOCKS PLAN

IMPLEMENTATION. Kursk Oblast's regional development plan is called the "Kursk Oblast Concept for Social and Economic Development, 1997-2005." The plan was developed and widely discussed over the course of six months in 1997, immediately after the election of Aleksandr Rutskoi as the region's governor. Subsequently, the oblast administration adopted it as a guiding document.

Why does the plan cover an eight-year period? Because Rutskoi said at the beginning of his first term that he would be governor for no less than two terms, eight years. He faces reelection next year, and the voters will decide whether he will stay on the job for another four years.

The Kursk Oblast Duma did not officially discuss or adopt the program so it has not been codified in law. In 1998 and 1999 neither the media nor oblast officials mentioned the program. During this period, Rutskoi changed his closest subordinates three times (deputy governors, raion leaders, and sectoral leaders). Additionally, the structure of the Kursk Oblast administration was completely overhauled when Rutskoi introduced a Kursk Oblast Government. The economic situation dramatically changed after the 17 August crisis began. Thus, there are plenty of reasons to forget about this program, especially as elections are approaching. - Sergei Sarychev in Kursk

KOMI: PARTIALLY IMPLEMENTED PLAN FOCUSES ON KEY INDUSTRIES.

The economy of the Komi Republic is better than most other regions and the drop in production over the course of the 1990s has been smaller than the Russian average. The republic administration adopted a strategic development plan for the republic called the "Komi Republic Economic Development Program" and is supposed to find the funds to implement it. The main directions of the plan are: restructuring the coal, oil, gas, and

forestry industries, which make up the basis of the republic's economy. There is a concrete plan for the development of each industry.

The forestry industry plan is the most detailed and extends to 2005. The first of its kind in Russia, it calls for the introduction of new technology in cutting and processing timber. In association with the World Wildlife Fund, the authorities are setting up a model forest in the southern part of the republic to demonstrate ecologically-friendly equipment for processing timber. The plan calls for building modern new processing plants and paper and cellulose combines in raions where the richest sources of forestry products are located.

The development program also seeks to upgrade the republic's mining industry. The top priorities are the extraction of bauxite, manganese, barytes, and the extensive processing of titanium ore. Komi has already begun developing Russia's largest bauxite deposit, a development that will have enormous consequences for the Russian aluminum industry, which now depends heavily on imported raw material. Both the aluminum and manganese projects require extensive investment, including a substantial contribution from the federal government.

Additionally, the republic is now launching ambitious work in the transportation sector: widening and paving roads, particularly in the north of the republic, and implementing the Belomor project, which involves the construction of a railroad connecting Perm, Syktyvkar, and Arkhangelsk. This link is the shortest connection from the Urals to Arkhangelsk ports, and on to the countries of northern Europe. Work has already begun.

The republic's development program consists of over 50 subprograms. Since the program as a whole and the subprograms are only being implemented at a 60 percent level, the republican leadership is strongly interested in attracting more foreign investment. - Yurii Shabaev in Syktyvkar

IRKUTSK: SIX POINT PLAN DEFINES INVESTMENT PRIORITIES. Irkutsk Oblast lists approximately 300 projects which require capital investment. Among them are 30 large-scale projects valued at \$3 billion, and 250, which have been suggested by local governments, with a value of 33 billion rubles. One of the main jobs of the oblast administration is to determine which projects should be the first to receive investment. The basis for making these decisions is the "Medium-Term Program for the Social and Economic Development of the Oblast." Employees of the oblast administration, the Irkutsk State Economic Academy, and the Irkutsk Scientific Center of the Russian Academy of Sciences prepared the program, analyzing the current situation and possible development proposals for the region.

The projects included in the program are divided into six groups. The first group comprises projects which enterprises and organizations can carry out with their own sources of financing and some help from the oblast and federal governments (no more than 50 percent of the project). Carrying out these projects would require 391 million rubles, including 33.5 million rubles from the oblast budget. These projects should pay for themselves within three years, increasing the oblast's annual income by 99 million rubles.

The second group of projects will pay for themselves over the course of ten years. These projects will cost 27.3 billion rubles, including 2.6 billion from the oblast budget.

These projects are focused above all on optimizing public sector expenses and on reconstructing the key sectors of the economy.

The third group of projects includes plans to increase the effectiveness of the medical sector and improving the region's ecology. These plans will cost 5.38 billion rubles and pay for themselves over ten years.

The fourth group requires the least amount of capital. It consists of one project to boost services for mothers and children and will cost the oblast 9.8 million rubles.

Agro-industrial projects make up the fifth group. The focus here is on food-processing enterprises at the village level. The project will require 3.8 billion rubles from the oblast budget. It is hard to calculate the profitability of these projects since some will return high profits, while others are not expected to turn any profit.

The final group includes projects to develop regional culture and education. Such projects require 628 million rubles, of which 480 million will come from the oblast budget.

The overall cost of the projects is 37.4 billion rubles. The analysts suggest an investment of approximately 9 billion rubles a year. During the first two years of implementing this program, the oblast plans to spend 2.4 billion rubles each year, while during the last two years, it will spend 1.5 billion rubles. The rest of the money the oblast plans to attract from investors. - Yekaterina Vorobeva (Teleinform) in Irkutsk

PERM: LACK OF FEDERAL ATTENTION MEANS NO PLAN. "We have no global plan for the development of our region," according to Valerii Aristov, the head of the Perm Oblast Main Economics Administration's Department for Economic Analysis and Forecasting. "The main reason is the absence of an analogous federal program. Much is beyond the region's control, and many parts of the federal government affect regional development. Without knowing what they are thinking, we cannot prepare a regional program. Nevertheless, we are carrying out several programs very successfully in accordance with the "Action Plan of the Perm Oblast Administration in carrying out the Governor's Program for 1999." - Andrei Suslov in Perm

NOVGOROD: OVER SIX YEARS, WE HAVE PREPARED A SET OF GUIDELINES. Vasilii Ivanov, the chairman of the Novgorod Oblast Administration Economic Committee says that his region has a plan. "Over the course of six years, we have prepared the documents. Every year we adopt new amendments. It is called the 'Novgorod Oblast Concept for Social-Economic Development.' 'Are we implementing the plan?' I would say that in most cases, yes. But this document is not a total plan of the socialist type, which must be carried out to the letter. We can only call this document a plan conditionally. More precisely, it lays out the basic directions for developing the region during the next year." - Ivan Novgorodskii in Velikii Novgorod

CENTER-PERIPHERY RELATIONS

SHABURASULOV VISITS KARELIYA. First Deputy Presidential Chief of Staff Igor Shabdurasulov, the administration's pointman for the regions, visited Kareliya on 14 November to, in his words, get a sense of the pre-electoral situation in the republic. In his public statement, he said that it did not make sense for governors to include their names

on the party lists in the campaign for the State Duma even though current legislation does not forbid it. Kareliya Prime Minister Sergei Katanandov's name is currently on the Otechestvo-Vsya Rossiya list. Nevertheless, Shabdursulov said that he and Katanadov had reached agreement on practically all the questions they discussed.

Shabdursulov had also visited Murmansk and Arkhangelsk. Murmansk and Kareliya are considered Otechestvo regions, although this designation has more to do with the governors' announced political sympathies than the leanings of the electorates in the districts.

Shabdurasulov is well-educated and speaks smoothly and diplomatically. Therefore one should not expect to hear anything scandalous from him. He called the recent open letter from the Otechestvo-Vsya Rossiya bloc to the president in which Primakov, Luzhkov, and Yakovlev called on the president to curb the activities of his administration "senseless."

Shabdurasulov did not call on everyone to be friends, but said that there were no irreconcilable differences among Russia's ruling elite. His list of potential allies for the presidential administration included: Our Home is Russia, Yabloko, Soyuz pravyykh sil, Otechestvo-Vsya Rossiya, and Yedinstvo. The only opponents he listed were the Communists.

The presidential aide's trip was clearly part of an attempt to measure the regional support for Prime Minister Vladimir Putin. At this point, the president supports Putin as his successor and now it is up to the governors to decide whom they will support. Although Shabdurasulov would not say whom he supported in Kareliya's State Duma race, it was clear that he was behind Valentina Pivnenko, who also has the backing of the republican administration.

One of the main problems facing the republic today is ensuring its supply of natural gas. All candidates tout their various negotiations with gas officials in hopes of winning greater voter sympathy. Shabdurasulov also offered the federal government's solutions. He said that the government had raised tariffs on gas exports, making it more profitable to sell gas inside Russia. He also cited administrative measures adopted to ensure that more gas would flow to the republic. - Boris Matveev in Petrozavodsk

REGIONAL RESOURCES

The Novgorod Model - To obtain a copy of "Creating Social Capital in Russia: The Novgorod Model," by Nicolai N. Petro (Associate Professor of Political Science at the University of Rhode Island, Kingston, RI 02881), please contact the author at <kolya@uri.edu>. This paper was sponsored by the National Council for Eurasian and East European Research (NCEEER) and copies are also available from its office, which can be contacted at <nceeer@erols.com>.

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Matthew Wyman, Keele University in the *The Russian Review*, October 1998

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Elections 1999/2000

Primakov Circumvents National Media by Addressing Rostov Voters Directly

In Kareliya, Otechestvo's Yastrzhembskii Blasts Central Media

Single-Member Seat Races: A View of 39 More Districts

Patterns of Regional Development

Deceived Investors Shape Tver Gubernatorial Campaign

Center-Periphery Relations

Omsk Governor Advocates Strong Political Role for Regional Executives

Horizontal Ties

Three Regions Join Forces To Boost Aircraft Industry

New Books in the Field

Norwegian Study Examines Civil-Military Relations in Murmansk

Regional Resources

Freedom of Speech in Russia Project

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BREAKING NEWS

POLITICS

TITOV TO SUPPORT FEDERATION COUNCIL ELECTIONS. During a 19 November meeting with Samara Governor Konstantin Titov, Yabloko leader Grigorii Yavlinskii discussed his opinion that members of the Federation Council should be directly elected. Yabloko plans to introduce legislation to this effect once the new State Duma is elected, and Titov will try to usher it through the Federation Council. The Yabloko faction hopes to lobby in favor of this project in the lower house, but will need support in the upper chamber, which is made up of regional executives and the heads of regional legislatures who are unlikely to voluntarily abandon their lucrative posts in the federal assembly. Furthermore, none of Russia's regional executives are Yabloko supporters, making it even more difficult for the party to garner support for its proposal in the Federation Council. However, given Titov's lack of success in

establishing the Golos Rossii regional movement, the governor will probably not have much luck on this issue either. (*Kommersant Daily*, 20 November)

ECONOMICS

SKODA PROJECT IN UDMURTIYA POSTPONED. The assembly of Skoda automobiles at the Skoda Auto-Izhmash joint venture in Izhevsk (Udmurtiya) is being postponed, *Kommersant Daily* reported on 19 November. The project is being delayed due to the drop in demand for foreign cars in the Russian market and Skoda's conflict with the Russian Ministry of Economics.

The Czech firm, which overcame structural difficulties similar to those Izhmash is currently facing, has been interested in assembling its automobiles in Russia since 1994. At first Skoda was unable to identify a Russian partner, then in 1998 the firm signed a protocol agreement with Izhmash. According to the agreement, Skoda Auto should have presented a business plan regarding the joint venture to the Russian Ministry of Economics within six months of signing the agreement and received tax and customs breaks on importing the technology and parts necessary for assembling the automobiles. However, Skoda did not receive the expected breaks, which it feels are necessary for the project to be successful. According to *Kommersant*, Skoda expected tax breaks worth \$60 million, which would apply not only to Skoda, but the company's associates as well.

The Ministry of Economics feels that Skoda is capable of fulfilling its investment agreement without such privileges. Nevertheless, the Ministry has already signed agreements granting some breaks to Doninvest, which is assembling Daewoo automobiles in Rostov Oblast, Renault, and Ford. If the Ministry gives into Skoda's demands, it may face an increasing number of similar requests.

TUSRIF FILES APPEAL OVER LOMONOSOV RENATIONALIZATION. The US Russia Investment Fund (TUSRIF), which lost a 25 percent stake in the Lomonosov Porcelain Factory when it was renationalized last month, has filed an appeal to the St. Petersburg arbitration court (see *EWI Russian Regional Report*, 14 October). According to Alistair Stobie, Vice-President of Delta Capital Management Inc., which manages TUSRIF, there were not any mistakes made in the privatization of Lomonosov or in the founding agreement to establish the joint-stock company. He claims that the initial suit that led to the factory's renationalization was nonsensical and that it was forced through by the Russian State Property Ministry for political purposes. Stobie said that he felt that TUSRIF had a strong legal case to support its appeal but was not optimistic that the court would rule in its favor. TUSRIF paid \$4.25 million for its stake in Lomonosov. The other major foreign investor, Kohlberg Kravis Roberts & Co. (KKR), which decided to file an appeal jointly with TUSRIF, had paid \$4 million for a stake of just over 25 percent in the factory (*The Moscow Times*, 20 November). The two foreign investors owned more than half of the plant.

ELECTIONS 1999/2000

PRIMAKOV CIRCUMVENTS NATIONAL MEDIA BY ADDRESSING ROSTOV VOTERS DIRECTLY.

"We intend to reform the reforms," said former Prime Minister Yevgenii Primakov during a campaign swing through the North Caucasus regions of Stavropol, Rostov and Krasnodar. In Rostov, Primakov was accorded high-level treatment. Governor Vladimir Chub (formally a member of the pro-Kremlin Yedinstvo) joined Legislative Assembly Chairman Aleksandr Popov, the leader of the local Otechestvo-Vsya Rossiya (OVR) branch, in escorting Primakov during his visit. The visit generated a large amount of excitement among local residents and all of the rooms where Primakov spoke were overflowing.

From his speeches, it was clear that Primakov is using his trips to the regions to speak directly to the voters while avoiding the national media, which is clearly following orders from the presidential administration to actively discredit OVR. Primakov charged that his party is the only target of the state media. He claimed that highly-placed bureaucrats were actively blocking the rise of the OVR to power because they understood that if Primakov and his allies came to power they would "attack the corrupt and embezzlers of public funds." In his comments, Primakov made clear that it was the presidential administration rather than the Russian government that was ordering attacks on him.

On Chechnya, Primakov said that he and his allies support the actions of the army and government in destroying the terrorists. However, the only way to conclusively deal with this problem is to deprive the terrorists of local popular support. Therefore he opposed any massive military operations which would create large streams of refugees, endanger the population, or unite Chechnya's civilian population with the fighters.

In considering Russia's relations with the west, Primakov emphasized that some journalists were groundlessly stirring up suspicions that someone in the west intended to occupy Russia. "The west has reasonably sober-minded politicians and none of them are planning to bomb Russia." Primakov said that Russia has already become a part of the global political and economic process and now it was important not to allow a new isolationism. "Yes, there is a certain amount of pressure on us," he said, "but we must withstand it and not allow anyone to stir up aggression in response. Primakov fully supports the current efforts of the Ministry of Foreign Affairs.

In his public statements, Primakov strongly criticized Russia's privatization and liberal reforms. Nevertheless, he ruled out revising the results of the privatization process. To improve the economy, he argued that it was necessary only to strengthen state regulation and adopt protectionist measures to shield domestic enterprises. Primakov constantly used the term "*gosudarstvennik*" (state builder) and criticized those liberal theories that assert that everything will take care of itself once market mechanisms are put into place. Here he cited the examples of Japan and West Germany, where a market economy was created or restored under the strict control of the state. - Andrei Miroshnichenko in Rostov

IN KARELIYA, OTECHESTVO'S YASTRZHEMSKII BLASTS CENTRAL

MEDIA. The Russian president is intervening in the current State Duma election campaign at unprecedented levels, Otechestvo-Vsya Rossiya Deputy Campaign Manager Sergei Yastrezhenskii told an audience in Kareliya on 22 November. Yastrezhenskii had served as

President Boris Yeltsin's spokesman before joining Moscow Mayor Yurii Luzhkov's Otechestvo party. Yastrzhembskii said that the executive's interventions violated the law and unwritten rules of conduct.

He pointed to the creation of the Yedinstvo bloc as the most important presidential action. He described the party, which also goes by the name Medved, Russian for bear, as "pacifier-sucking cub from Berezovskii's den" that lacks any political or economic programs. He claimed that it only has the support of 6-7 regions, which themselves were heavily dependent on federal subsidies.

Yastrzhembskii also pointed to the executive's use of Russian Public Television as a campaign weapon. Although the state owns 51 percent of the broadcaster, Berezovskii controls the content of the broadcasts. He charged that anchorman Sergei Dorenko was receiving money directly from Berezovskii for his broadcast attacks on OVR. Yastrzhembskii, however, admitted that he had no proof to support these allegations.

Kareliya Prime Minister Sergei Katanandov, who is an OVR supporter, said that he thinks the bloc will win no less than 20 percent of the party list vote. - Boris Matveev in Petrozavodsk

SINGLE-MEMBER SEAT RACES: A VIEW OF 39 MORE DISTRICTS

With the State Duma elections less than a month away, the RRR continues its examination of the races in Russia's 225 single-member districts. For the first installment in this series, please see *EWI Russian Regional Report*, 17 November.

Republic of Tatarstan

District 22 - Of the five candidates running in District 22 Fandas Safiullin is favored to win. Safiullin is a member of the Tatarstan State Council and is running on the OVR ticket with the support of Tatarstan President Mintimer Shaimiev.

District 23 - State Duma Deputy Oleg Morozov, Shaimiev's candidate of choice representing OVR, is expected to win in this district. Aside from having Shaimiev's influential support, Morozov is well known as the leader of the State Duma Russian Regions faction. He is facing State Duma deputies Vasilii Almyashkin and Nasima Stolyarova from NDR and KPRF, respectively.

District 24 - No favorite candidate has yet emerged from this district, which is home to the region's KamAZ truck factory, largely due to the fact that Shaimiev and OVR have not named their choice. It seems that Ildar Urmanov, Chairman of the committee for strategic development of the KamAZ board of directors, is in the lead. He will most certainly win the support of KamAZ General Director I. Kostina, who commands considerable authority in the republic.

District 25 - Even though a State Duma deputy and a State Council deputy are competing for this seat, the likely victor will be OVR candidate Flyura Ziyatdinova, who works in Shaimiev's

administration. Her top competitors are State Duma Deputy Daniya Karimova and Tatarstan State Council Deputy Rinat Mukhamadiev.

District 26 - This is the one district where Shaimiev is unlikely to have his way. Even though OVR has thrown its support behind Rafael Mingazov, Director of Economics at the Kiemner enterprise, Mingazov will have a difficult time competing against the three State Duma deputies running in the district. The real battle will be between leader of the Tatarstan Communists, State Duma Deputy Aleksandr Salii and incumbent Sergei Shashurin, although Shashurin's chances of holding on to his seat are slightly better. The other State Duma deputy running in District 26 is Insaf Saifullin from NDR. - Midkhat Faroukshin

Krasnoyarsk Krai

District 45 - Oleg Pashenko, an editor for *Krasnoyarskaya Gazeta*, is the leader in District 45. Although Pashenko is technically registered as an independent candidate, his sympathies are clearly with the Communists. Pashenko's greatest campaign asset is his own newspaper, which serves as an influential political tool. Pashenko's primary competition is incumbent State Duma Deputy Valerii Sergienko and Anatolii Chubais ally and former Fuel and Energy Minister Sergei Generalov, both of whom are independents. However, Sergienko's popularity has declined considerably over the past few years and Generalov is viewed as a "New Russian" by the district's conservative agricultural community. There is strong speculation that the krai branch of the KPRF is trying to convince Sergienko to withdraw his candidacy, thus ensuring Pashenko's ultimate victory. Sergienko will then be compensated by a seat in the Krai Legislative Assembly, which should propel him to the speakership and a spot in the Federation Council.

District 46 - The Communists are likely to win this seat as well with candidate Veniamin Sokolov, who is officially running as an independent. The current seat-holder, State Duma Deputy Nellya Zhukova, does not stand a very good chance of getting reelected, although she is one of Sokolov's top challengers. The only other competitor in the district is Viktor Sitnov, Acting Director of the Norilsk Works.

District 47 - KPRF State Duma Deputy Petr Romanov is favored to win in District 47. Romanov has the support of Krasnoyarsk Krai Governor Aleksandr Lebed. Lebed's influence and Romanov's experience give him the edge over Agrarian incumbent State Duma Deputy Anatolii Yaroshenko. General Director of the Kansk liquor company fills out the three top competitors.

Director 48 - The race in District 48 is reminiscent of Krasnoyarsk Krai's 1998 gubernatorial election, pitting former Governor Valerii Zubov against KPRF candidate Yurii Abakumov, who appears to have the support of Lebed's administration. The race between these two foes leaves little hope for incumbent State Duma Deputy Vladimir Tetelmin to hold on to his seat. - Pavel Avramov

Primorskii Krai

District 49 - The race in this district is extremely close with four well-known contenders waging strong campaigns. Independent candidate Yurii Serebryakov, Director of the Slavda enterprise that produces mineral water and a Primorskii Krai Duma deputy, is just barely edging the competition at the moment. Serebryakov is a strong supporter of Primorskii Krai Governor Yevgenii Nazdratenko and always votes according to his wishes. The other three main contenders are State Duma Deputy Yevgenii Bolshakov, State Duma Deputy Vladimir Grishukov, and Sergei Loktionov. Bolshakov is also a Nazdratenko supporter, but was recently dismissed from his position as the head of the Primorskii Krai LDPR branch by Vladimir Zhirinovskiy, who visited the region to carry out the deed. Grishukov stands a chance at winning if the pro-Communist electorate grows stronger in the district. Loktionov is the most likely candidate to grab the protest vote as he is a vocal opponent of Nazdratenko.

District 50 - Former Vladivostok Mayor Viktor Cherepkov will certainly win the race in District 50, that is, if the Krai administration somehow does not prohibit him from running or annul the election results. Cherepkov is the most well-known opposition to Nazdratenko, and this week announced that he was withdrawing his candidacy against Nazdratenko in the region's gubernatorial elections, which will be held on the same day as the Duma elections. Cherepkov said that he withdrew as a protest since he knew that he would not get a fair election in the gubernatorial campaign. In the event that Cherepkov does not take the Duma seat, the winner is likely to be incumbent State Duma Deputy Vladimir Shakhov, Anatolii Vasyanovich, or Vasili Shirshikov. Shakhov is well known in the district, and will earn a considerable number of votes. Nevertheless, his popularity is on the decline as he is considered to be among the "New Russians" and is rumored to be an alcoholic. Vasyanovich was runner-up to Nazdratenko in the 1995 kraï gubernatorial elections. He fluctuates between loyalty and opposition to the governor.

District 51 - Incumbent KPRF State Duma Deputy Svetlana Goryacheva is likely to hold on to her seat in this district. Her only real competition is former General Valerii Rosov, a Krai Duma deputy. Rosov is well known for his anti-Chinese stand on the Sino-Russian border dispute. The number of votes Rosov gets will be an indicator of how much patriotism there is in Primorskii Krai. - Yevgenii Popravko

Irkutsk Oblast

District 80 - The likely winner in District 80 is the young Deputy General Director of the Angarsk Oil-Chemical Company (ANKhK), Konstantin Zaitsev, who is well known in the area. Zaitsev's primary competition comes from pensioner Oleg Gurenko, who has the support of the oblast administration, and incumbent State Duma Deputy Viktor Mashinskii of the Pensioners Party.

District 81 - Incumbent State Duma Deputy Vitalii Shuba should have no trouble winning another term in this seat. Shuba has the support of OVR, yet Irkutsk Governor Boris Govorin, who is a member of Vsyā Rossiya, is not backing the incumbent. Rather Govorin has thrown his support to Yurii Purdenko, Deputy General Director of the Bratsk Aluminum Factory, who is running as an independent. Aside from Shuba and Purdenko, the other top contender in this district is Bratsk City Duma Deputy Tatyana Vinogradova, a favorite among students.

District 82 - Incumbent State Duma Deputy Yurii Ten is likely to hold on to his seat in District 82 as well. Ten's main contenders are KPRF State Duma Deputy Vera Savchuk and Irkutsk Oblast Legislative Assembly Deputy Anton Romanov, although neither is likely to surpass the incumbent. The oblast administration is supporting Deputy Governor Gellii Gerebtsov, who is running as the OVR candidate.

District 83 - Incumbent KPRF State Duma Deputy Anatolii Turusin also has good chances at reelection. Turusin's top challenger is Chairman of the Irkutsk Oblast Legislative Assembly Ivan Zelent, who has an outside chance to win. The oblast administration is supporting Sergei Kolesnikov, Chairman of the Far Eastern-Siberian Scientific Center of the Russian Academy of Medical Sciences. Although registered as an independent, Kolesnikov has the unofficial support of OVR. - Marina Artemeva (Teleinform)

Kaliningrad Oblast

District 84 - Incumbent State Duma Deputy Vladimir Nikitin stands a good chance at holding on to the Kaliningrad seat. His main competition is coming from OVR candidate and Kaliningrad Oblast Duma Deputy Sergei Kozlov, Kaliningrad Oblast Duma Deputy Nikolai Tulaev, Chairman of the Board of Directors of Yantar Andrei Krainii, and Reforms-New Course leader Vladimir Shumeiko. An important issue in this race is Kaliningrad's free economic zone, which has lately come under attack by the State Duma's LDPR faction. If Nikitin manages to secure the zone's status his chances of winning will greatly increase. - Yekaterina Vasileva

Kemerovo Oblast

District 88 - Yedinstvo's candidate Petr Rubezhanskii is the leading contender in District 88. In his favor Rubezhanskii has the support of influential Governor Aman Tuleev, who himself is running for the Duma on the KPRF party list. By backing Rubezhanskii, Tuleev is shunning one of his compatriots, incumbent KPRF State Duma Deputy Yurii Chunkov, who is Rubezhanskii's top competition.

District 89 - Independent candidate Igor Kovtun, chairman of the regional Social Aid fund, is the top candidate in this race. His main challenger is Yedinstvo candidate Ivan Ivlev, who has the support of Governor Tuleev.

District 90 - Incumbent State Duma Deputy Viktor Medikov will probably hold on to his seat in District 90. Aside from the advantage incumbency often provides to candidates, Medikov also has the support of Governor Tuleev. Medikov's primary competition will come from Yabloko candidate Yurii Pul, a Kemerovo lawyer.

District 91 - Incumbent KPRF State Duma Deputy Nina Ostanina is likely to hold on to her seat as well. Like Medikov, Ostanina also enjoys Tuleev's support. Mikhail Shchadov from the Nikolaev-Federov bloc is Ostanina's top challenger. - Irina Maslennikova

Kirov Oblast

District 92 - Incumbent State Duma Deputy Nikolai Shaklein is likely to hold on to his seat. Shaklein is officially running as an independent, but he has the support of the Communist Party and Kirov Governor Vladimir Sergeenkov. Shaklein will receive some tough competition from State Duma Deputy Mikhail Vakulenko, who recently left the LDPR, and from independent candidate Aleksandr Kosolov, a professor at the Kirov State Medical Institute.

District 93 - The leading candidate in District 93 is Nikolai Kiselev, head of the Luch scientific research and production association. Kiselev, though running as an independent, has the active support of the Communist Party and Governor Sergeenkov. Kiselev's top competitor is Valentin Pervakov, who had headed the Kirov department for the management of state property until July 1999 when he left the post due to a conflict with Sergeenkov. The governor has launched a campaign against Pervakov. - Valeria Shchektova

Novgorod Oblast

District 123 - Novgorod Governor Mikhail Prusak's candidate, State Duma Deputy Gennadii Burbulis is the leading candidate. His two main competitors are current District 123 seat holder Yevgenii Zelenov and KPRF candidate Nikolia Bindyukov. However, Prusak's influence over the region's electorate is strong and the candidate he supports will be tough to beat. - Ivan Novgorodskii

Novosibirsk Oblast

District 124 - Incumbent KPRF State Duma Deputy Nikolai Kharitonov will probably win reelection in this district. His primary competitor is another Duma member, Yevgenii Loginov, a manager at the Interenergoserbis. Loginov is a member of LDPR and is running as the party's candidate. He was the only candidate from that party to win a single-member district seat in 1995.

District 125 - Yedinstvo candidate Galina Strelchenko is the likely winner in District 125. Strelchenko is the director of the Sibir airline company. She is expected to beat out incumbent State Duma Deputy Ivan Anichkin, who is running as an independent.

District 126 - Yedinstvo will probably take this seat as well with candidate Aleksandr Karelin, a specialist in the federal tax police. Karelin's main competition is OVR candidate Andrei Filichev, head of the Kalinin Raion, and incumbent State Duma Deputy Arkadii Yankovskii.

District 127 - NDR should hold on to this seat with the reelection of incumbent State Duma Deputy Oleg Gonzharev. Of the 14 candidates running in this district, Gonzharev's top challenger is Konstantin Aseev. Aseev is the General Director of the Novosibirsk Oblast Medical Insurance Fund and is running as an independent. - Irina Maslennikova

Perm Oblast

District 137 - Economics Director of Uralkalii, Gennadii Belkin, is the leading candidate in this district. According to a recent public opinion poll, Belkin will take 22.7 percent of the vote. Belkin's main contender is incumbent State Duma Deputy Valentin Stepankov. Although Stepankov is OVR's official candidate, the movement is unofficially supporting Belkin. Belkin also has the support of the oblast administration and local businesses. Although Stepankov has proven himself well as a State Duma deputy, he has also exposed several of the misdeeds of the governor and oblast officials. As a result the oblast administration is doing everything possible to prevent Stepankov's return to the State Duma.

District 138 - In District 138 OVR candidate Sergei Chikulaev is in the lead. Chikulaev is the head of financial-economic management at LUKoil-Permneft. Permpitseprom General Director Grigorii Laptev, who is running as an independent, is a close second, but Chikulaev should come out on top with 17.8 percent of the vote. Aside from working with one of the top enterprises in the region, Chikulaev has the support of the oblast administration, and OVR is presently the most popular political movement in Perm.

District 139 - The results of this race are the most difficult to predict from among the Perm districts. The present leader appears to be Perm Oblast Legislative Assembly Deputy and President of the DAN financial-industrial group, Pavel Anokhin, who is running as an independent. His main competitors are Perm Oblast Legislative Assembly Deputy Ilya Neustroev, who is also running as an independent, and former speaker of the Perm Oblast Legislative Assembly Yevgenii Sapiro. It is odd that Sapiro's rating is relatively low given his active campaigning, general popularity in the oblast, and OVR candidacy. Nevertheless, Anokhin has a lot of money and has garnered the support of the oblast administration. Additionally, the race in this district is considered rather dirty and Anokhin is rumored to be linked to Boris Berezovskii.

District 140 - Incumbent State Duma Deputy Viktor Pokhmelkin should hold on to his seat in District 140. If the oblast authorities are not helping Pokhmelkin, they are also not opposing him. Pokhmelkin is running on the Soyuz pravyykh sil ticket. The other two primary contenders are Yabloko candidate Lyubov Zotina and Sergei Levitan, who is running as an independent,

although neither competitor stands much of a chance at beating out Pokhmelkin. - Andrei Suslov

Pskov Oblast

District 141 - The favorite to win in District 141 is State Duma Deputy Mikhail Kuznetsov. Kuznetsov is conducting the most professional campaign, and enjoys the support of Pskov Governor Yevgenii Mikhailov. Practically all of the media in the region are backing Kuznetsov's candidacy, as are the majority of local leaders. Kuznetsov earned his current Duma seat from his position on the LDPR party list. He left LDPR a month ago and is now trying to present himself as an independent, but is not openly critical of his former party. Kuznetsov's primary opponent is Pskov Oblast Assembly Deputy Boris Polozov from NDR. Polozov has the support of Pskov Mayor Aleksandr Prokofev and the regional branches of NDR and Yabloko. The other strong contender is KPRF State Duma Deputy Vladimir Nikitin, who is the leader of the oblast KPRF branch. - Andrei Shcherkin

Samara Oblast

District 151 - The leader in this race is Volgoprogez Deputy General Director Oleg Dyachenko, who is likely to beat out incumbent KPRF State Duma Deputy Valentin Romanov. This is primarily due to the fact that Romanov was unable to secure the support of the local authorities in the district's top two cities Novokuibyshevsk and Chapaevsk. The Communists' weakened position in the district is further evidenced by the electoral commission's rejection of several signatures collected to support Romanov, leading Romanov to pay the campaign deposit to ensure that he would be able to run. Dyachenko is well known in the region and represents the area's largest enterprise. He is also in a good position to lobby for measures to improve the environmental conditions of Chapaevsk, which suffers greatly from industrial pollution. Dyachenko has taken an unlikely root to popularity, distancing himself from Samara Governor Konstantin Titov and Soyuz pravyykh sil, which includes the governor's Golos Rossii movement, firmly establishing his independent position.

District 152 - Incumbent State Duma Deputy Albert Makashov is the favorite in District 152. For Makashov this victory is a matter of political life or death since the deputy has decided not to run on the KPRF party list, but rather with the In Support of the Army movement, which is unlikely to pass the 5 percent barrier. Although many voters have not yet decided whom they will vote for, at the end of summer many analysts believed that a right-wing candidate would have a good shot in this district. Soyuz pravyykh sil has nominated Vera Lekareva. To ensure the success of a candidate from the right, Yabloko has withdrawn its candidate to throw its support behind Lekareva. However, Lekareva is unlikely even to place second. Makashov's runner up will probably be the famous psychic Allan Chumak, whose candidacy is viewed as a separate sideshow.

District 153 - The leading contender in this race is Chairman of the Samara Gubernskaya Duma Aleksandr Belousev, who has tried several times to become mayor of Samara. Formally he is an independent candidate, but his total loyalty to the governor is well established. Belousev is also well known among the voters. The other two primary candidates are Volgatransstroï General Director Vyacheslav Sonin (an enterprise with close ties to the region's railway) and incumbent State Duma Deputy Vladimir Tarachev, who has the support of the Yedinstvo movement.

District 154 - Vice-Governor Vladimir Mokryi is the key player in District 154. Like Belousev, Mokryi formally is an independent, yet he will serve as Titov's man in the State Duma. Mokryi is so familiar in the region, frequently traveling to different areas and speaking to citizens, that he does not even need to conduct a real campaign. Yet the secret of Mokryi's victory will be the fact that votes for or against him will be viewed by everyone as a test of the populace's loyalty to Titov. This view of the election should ensure Mokryi's victory. Mokryi's main challenger is incumbent State Duma Deputy Oleg Savitskii, but his chances are very slim.

District 155 - Yabloko's Vitalii Zykov is the likely winner in District 155. His chances for success increased greatly following the recent visit by Yabloko leader Grigorii Yavlinskii. Zykov's top competition is coming from OVR candidate Aleksei Kirienko. There was a serious battle in this district over which candidate would represent Otechestvo. At first it seemed that incumbent State Duma Deputy Anatolii Morozov would win the Otechestvo label. However, Deputy Chairman of the Samara Otechestvo branch Kirienko won OVR's backing, leaving Morozov to register as an independent. Without the backing of a political movement, Morozov is unlikely to hold onto his seat. Morozov is trying to find supporters: Soyuz pravyykh sil is one option since this bloc has not nominated its own candidate in District 155. However, Titov has already offered his support to Togliatti Deputy Mayor Vyacheslav Volkov. - Andrei Perla

Ulyanovsk Oblast

District 181 - With incumbent KPRF State Duma Deputy Oleg Kazarov's registration still undecided, Ulyanovsk State University rector Yurii Polyanskov stands the best chance at taking this seat. Polyanskov is running on the OVR ticket. His top competition is 31st military brigade General Vadim Orlov, who is supported by the oblast administration. - Sergei Gogin

PATTERNS OF REGIONAL DEVELOPMENT

DECEIVED INVESTORS SHAPE TVER GUBERNATORIAL CAMPAIGN. The problems of ordinary Russians who lost their money in various investment schemes has been a staple of Russian politics almost since the introduction of the market economy. In Tver, this group is now playing a role in the December gubernatorial elections.

For several years, people who had deposited their savings in Progressprombank had been trying to get their money back and now one of the gubernatorial candidates has announced that he is ready to resolve this problem. Anatolii Trachenko is the deputy economics director of

the Rumelko firm, which according to the press, owns a large share of the Novolipetsk Metallurgical Combine, one of Russia's big three steel producers. His firm has declared that it is ready to purchase 120 million rubles worth of Progressprombank's debt, allowing the depositors, including a large number of politically active pensioners, to get their money back (*Veche Tveri*, 16 November). Such a move would definitely increase the popularity of Trachenko, who has sharply criticized incumbent Governor Vladimir Platov's policies in the Tver and central press.

Trachenko's actions would help solve the bank's financial problems, but would complicate its relations with the oblast authorities. The bank ran into trouble because it invested a large amount of money in the Kalinin Nuclear Power Station, which is in no hurry to pay back its debts, pointing to the manipulations of various middleman enterprises which buy its electricity. According to a German auditing company, Progressprombank can count on receiving 600 million rubles from the power plant, but only in the course of 18 months. Recently the court ordered the plant to pay Progressprombank 230 million rubles, but the plant has yet to comply. Rumelko is ready to buy the power plant's veksel's (promissory notes). Purchasing the veksel's will not generate a lot of profit for Rumelko, but it likely will not lose a lot of money either. In the worst case the Novolipetsk Metallurgical Plant will use the veksel's to buy electricity, which it needs in great quantities to produce its steel. The main benefit from the deal is clearly political.

It is no secret that the management of Progressprombank and the chairman of its board of directors, Vladimir Skolnikov, have good relations with Governor Platov, who has helped the bank avoid sanctions from Russia's Central Bank. However, the economic benefits from working with Rumelko were too great and the deal went ahead. Even Platov unexpectedly benefited from the deal. Progressprombank's operating license expired on 6 November and by that time the depositors had only received a million rubles. Platov promised to defend their interests and delivered by making sure that the bank's license was extended (*Tverskie gubernskie izvestiya*, 17-23 November). In addition, Platov also made sure that an external manager, the Muscovite Petr Ushakov, took control of the bank's operations. Ushakov apparently will not only help the bank, but make sure that Trachenko makes good on his promise. As the campaign continues, the deceived investors will likely continue to play a large role in deciding who becomes Tver's next governor. - Boris Goubman in Tver

CENTER-PERIPHERY RELATIONS

OMSK GOVERNOR ADVOCATES STRONG POLITICAL ROLE FOR REGIONAL EXECUTIVES. Omsk Governor Leonid Polezhaev, a pro-Kremlin Yedinstvo backer, firmly believes that the governors should play a larger political role than they have played to date. "Some believe that everyone can play a role in politics except the governors," he said according to *Omskii vestnik* (16 November). "Why is that? It turns out that leaders, elected by a large number of people, should limit their interests exclusively to one region, and be indifferent to who sets the economic and policy direction of the country. Who thought up this ridiculous logic? Who, if not we governors, can advise our electorate to vote for one or another candidate? ... You know the Omsk legislators working at the national, regional, and local levels. Can you name one who has accomplished anything? You know that the answer is: no one.

There are no governors' parties - there is only the unity of interests in the State Duma electoral campaign." - Marina Chukhlomina in Omsk

HORIZONTAL TIES

THREE REGIONS JOIN FORCES TO BOOST AIRCRAFT INDUSTRY. Tatarstan, Perm, and Novosibirsk signed an agreement to develop the domestic aircraft industry and increase the use of domestic equipment among Russia carriers in Moscow on 11 November. As a result of the 1 billion ruble deal, the leasing company Avializing (Perm) will make it possible for the Sibir Airlines (Novosibirsk) to lease three TU-214 planes produced by the Gorbunov Kazan Aviation Production Association (KAPO). The planes use PS-90A engines built by Perm Motors. Sibir will use the airplanes for the Novosibirsk-Moscow route.

Developing the leasing scheme took a long time, according to Avializing First Deputy General Director Anatolii Makarov. Since there is little money, the first tranche of payments from Sibir will go to KAPO and Perm Motors so that they can finish building planes that are nearly done and put them into use. Sibir will pay out the rest of the money over the next several years. In this way, both KAPO and Perm Motors will receive a constant flow of money for the use of their planes.

Before the deal can be implemented, numerous details of the exchange must be resolved. Sibir will not receive the first plane sooner than ten months before financing begins.

By signing the deal, the leaders of these three regions have taken it upon themselves to monitor the progress of this project. They naturally have a strong interest in making sure that enterprises in their regions are working well (*Novyi kompanon*, 16 November). - Andrei Suslov in Perm.

NEW BOOKS IN THE FIELD

NORWEGIAN STUDY EXAMINES CIVIL-MILITARY RELATIONS IN MURMANSK

Integration vs. Autonomy: Civil-Military Relations on the Kola Peninsula; by Geir Honneland & Anne-Kristin Jorgensen (the Fridtjof Nansen Institute, Norway) published by Ashgate Publishing Ltd, 1999. (The book can be ordered at: www.ashgate.com)

The Kola Peninsula, which more or less corresponds to Murmansk Oblast, is one of the most heavily militarized areas in the world. The Northern Fleet, which is the largest and strategically most important of the four fleets in the Russian Navy, has its main base and administrative center in the city of Severomorsk in the Kola Fjord. This book measures the level of integration between the military and civilian sectors in this region. Traditionally, the military, while subordinate to the country's political leadership, has been relatively autonomous from civilian society. Now, ten years after reforms have begun, there is growing integration between the military and civil society in the region. The authors examine three areas of integration:

- (1) the participation of military personnel in civilian life, and in particular, politics;
- (2) the status of closed cities; and
- (3) the conversion of military industry to civilian production.

The authors investigate these themes at the federal level and on the Kola peninsula. The study draws on extensive "on-the-spot" data gathered in Murmansk, including interviews with officers and other inhabitants of the closed cities of the area.

The authors conclude that it is possible to find data to support both the assumption that the military is still a "state within the state" on the Kola Peninsula, and that integration with the civilian sector is rather widespread. Conversion at the naval shipyards has largely failed, but contacts with civilians are far more extensive today than a decade ago. The closed towns have been "opened" in the sense that they are no longer secret, but at the same time, economic realities represent a severe limitation on their integration with the surrounding society. Redundant officers have poured into civil society and the labor market, but most of them either continue to live in the closed towns (thus remaining "military" in a sense) or leave for other parts of Russia. The Northern Fleet still seems to be nearly omnipotent on certain issues, whereas on others, power has been ceded to the newly established "democratic" political bodies at the regional level.

What seems absolutely indisputable, however, is that both the civilian and military sectors of the Kola Peninsula are currently in a rather severe crisis. Solemn as the situation is, it seems at least to have led the two sectors to join forces in their efforts to make federal authorities, both civilian and military, take responsibility for the economic and environmental disasters in the region.

The study presents unique empirical material on a strategically important area while contributing to the theoretical debate on civil-military relations in Russia and, more generally, to the growing literature on politics and society in the regions of the Russian Federation.

REGIONAL RESOURCES

Freedom of Speech in Russia Project (<http://www.freepress.ru>) The Public Expertise project, led by the Russian Union of Journalists and funded by Internews Russia, organized a three-month investigation, which revealed that not one of Russia's 89 regions promotes a climate favorable to a free and pluralistic press. Out of 100 possible points, rankings ranged from a low of 10 in Bashkortostan to a high of 63 in Moscow. In addition to an overall rating, the results are ranked in three separate classes: freedom of access to information, freedom to produce information, and freedom to distribute information.

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EASTWEST INSTITUTE INTERNSHIP ANNOUNCEMENT

Summary

EastWest Institute, a not-for-profit organization founded in 1981, conducts projects of analysis, policy advice and practical assistance to Central and Eastern Europe, Russia and Eurasia. The Institute is now seeking to fill a 4 month (January – April 2000) Spring Internship Position to assist in our International Security Program. The Intern will report to the Project Manager. The position requires a 15-hour per week commitment and offers a stipend of \$10 per day. EastWest Institute is located in New York City.

Responsibilities:

The intern will assist with the project on "Early Responses to Early Conflict Warnings in the Caucasus." This includes research on relevant subjects, administrative and clerical work, preparing for spring conferences (including sending invitations, making travel and hotel arrangements, preparing conference materials), establishing networks of experts, maintaining contact with other organizations working in the region, and other work relating to the project.

The intern will assist with the LoNo database and the Institute's Security webpage. This includes updating and adding data, and generating lists and searches.

The intern will assist Senior Research Fellow Dr. Gerard Libaridian with research and administrative duties relating to his book projects on Armenian-Azeri relations.

Qualifications:

The candidate should currently be pursuing a BA or MA degree in Political Science, International Relations, Russian Studies, History or a related field, preferably with a regional focus on the former Soviet states.

The candidate should have a basic knowledge of Russian.

The candidate should have strong research and writing skills.

The candidate should have demonstrated administrative abilities, computer skills, and highly developed organizational talent.

The EastWest Institute reserves the right to change this description at any time. This is not an employment agreement.

Send resume and cover letter to Ermina Van Hoye by December 6, 1999 at:

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Predicted 1999 State Duma Election Results

Communist Plurality Shrinks, No Party Dominates

Elections 1999/2000

Single-Seat Races: 44 More Unveiled

Privatization

Kemerovo: Tuleev Losing Control Over Regional Metal Industry

Komi: One Forestry Enterprise Succeeds...

... While Another Fails

Irkutsk: Authorities Try to Fix China Factory Privatization

Perm: "The Type of Ownership is Irrelevant"

Kursk: Privatization Hurt Khimvolokno

Dagestan: Privatized Construction Firm Collapses

Patterns of Regional Development

St. Petersburg Pushes Ahead With Gubernatorial Elections

Foreign Ties

Perm Joins US Russian Regional Initiative

Regional Resources

Carnegie Book on 1999 State Duma Elections

Advertisements

EastWest Institute Internship Announcement

The Final Volume is Out: EWI Series on Eurasian Security

EWI Handbook of Russian Regional Executives

Special Book Discount: The Russian Parliamentary Elections of 1995

BREAKING NEWS

POLITICS

ALTAI KRAI PUSHES UP GUBERNATORIAL ELECTIONS. Following the trend many regional executives have set over the past several months, Altai Krai Governor Aleksandr Surikov has managed to push up the date of his election by over six months. On 25 November the krai Legislative Assembly adopted a decision moving up the election from December 2000 to 2 April to coincide with Legislative Assembly elections and the election of several mayors. The initiative to move up the election was proposed by a group of industrialist deputies and supported by Surikov. The decision was nearly unanimous with a vote of 35 for and 2 against.

The practice of moving up elections is becoming increasingly more common. Incumbents are given an unfair campaign advantage leaving challengers little time to

establish themselves. This technique has worked in Omsk, Belgorod, and Novgorod oblasts. The Altai Krai case is no exception. Surikov's top challenger is Legislative Assembly Speaker Aleksandr Nazarchuk, leader of the left wing of the Agrarian Party. Nazarchuk would be in a strong position to compete for governor if the elections are held a year from now and if he won reelection to his current post in April. However, now he must try to campaign on both fronts simultaneously, greatly reducing his chances for victory in both races. (*Kommersant Daily*, 27 November)

ECONOMICS

TNK PURCHASES TOP SIDANKO SUBSIDIARY IN BANKRUPTCY AUCTION. As anticipated, the Tyumen Oil Company (TNK) purchased Sidanko subsidiary Chernogorneft in an auction on 26 November. The company, which is considered one of Sidanko's most valuable units, was sold for \$179 million, approximately \$21 million lower than its starting price.

Chernogorneft's sale, which took place as part of Sidanko's bankruptcy proceedings, has been the subject of considerable controversy. Sidanko shareholders feel that this subsidiary was one of the company's primary assets and the key to restoring its financial health. In a press release the company stated that, "It is obvious that the bankruptcy procedure of such a profitable and viable enterprise like Chernogorneft is being used for the purpose of transferring ownership not for improving the enterprise's economic and financial activities." Having already lost Kondpetroleum in October (see *EWI Russian Regional Report*, 28 August), the loss of Chernogorneft leaves Sidanko with only 25 percent of its former crude oil assets.

Sidanko's shareholders, including BP Amoco and the Sputnik investment (representing the Soros Fund and American and European pension funds), each of which owns a 10 percent stake in the enterprise, had wanted to hold an insiders' auction and felt that the procedure in which TNK purchased Chernogorneft was illegal. According to Sputnik, the price TNK paid for Chernogorneft was far too low as the subsidiary is expected to extract more than \$1 billion of oil over the next year. Additionally, the European Bank for Reconstruction and Development has lowered its debt claims against Chernogorneft from \$35 million to \$26 million, making the company even more attractive.

BP Amoco's frustration regarding its investment in Sidanko has caused many to speculate that the international oil giant may have had enough of Russia and would now consider pulling out of the risky market (see *EWI Russian Regional Report*, 17 November). BP Amoco spokesman in Moscow, Howard Chase, stated that "We believe the bankruptcy process was seriously flawed. BP Amoco will be carefully reviewing its business position in Russia in light of this sale" (*The Moscow Times*, 30 November). However, BP Amoco's investment in Russia goes beyond its 10 percent stake in Sidanko and the company may try to compensate for its losses in this venture by pursuing more aggressive gains in its other projects. BP Amoco owns a 49 percent stake in the Sakhalin-5 project, which is expected to produce 600 million tons of gas, and has a 22 percent share in RUSIA Petroleum, which will exploit the Kovytko gas fields containing 1.3 trillion cubic meters of gas. (*Vremya MN*, 29 November, *Kommersant Daily*, 25 November)

LENINGRAD OBLAST MISSES LOAN PAYMENT. Leningrad Oblast missed a \$2.3 million interest payment on a \$50 million syndicated loan, *The Moscow Times* reported on 27 November. The payment, which is made two times per year, was due on 3 November, but the oblast was allotted a 30-day grace period until 20 November.

Leningrad has been troubled by the loan repayments since May when the Western creditors demanded their money back in full only a year after the credit was granted. The oblast was unable to come up with the necessary funds, causing the banks to negotiate restructuring the loan (see *EWI Russian Regional Investor*, 6 May 1999). However, no restructuring agreement has been signed between the oblast and the creditors.

The loan money was intended for investment projects, although it appears that about 90 percent of the funds were used to pay off part of Leningrad Oblast's domestic debts. The oblast has \$69 million in foreign debt and 658 million rubles (\$24.9 million) in domestic debt. Nevertheless, Leningrad is optimistic about its ability to improve its current situation. The region has greatly increased its levels of foreign direct investment over the past few years, which hopefully will lead to greater economic stability.

In more promising financial news, St. Petersburg and Moscow City both successfully made interest payments on their Eurobond loans over the past week (*Vremya MN*, 26, 30 November). Nizhnii Novgorod's default on its Eurobond earlier this fall raised concerns that Russia's other Eurobond regions might follow suit (see *EWI Russian Regional Report*, 21 October).

PREDICTED 1999 STATE DUMA ELECTION RESULTS

COMMUNIST PLURALITY SHRINKS, NO PARTY DOMINATES

by Robert Orttung and Danielle Lussier

The Communists will make up the largest faction in the State Duma to be elected on 19 December and the Otechestvo-Vsya Rossiya bloc will come in a distant second, according to our analysis of the races in the 225 single-member districts and the latest freely-available public opinion polls (see Table 1). Yabloko, Yedinstvo, Soyuz pravyykh sil, and Zhirinovskiy's bloc will also likely cross the 5-percent barrier. Only four parties crossed this barrier in 1995. It appears that fewer party votes will be wasted in this election as approximately 60 percent of all votes cast will go to parties garnering the necessary 5 percent. This year 17 parties are likely to win at least one seat in the lower house, compared to 23 parties in 1995.

Candidates running as independents will do best in the single-member districts, followed by the Communists and OVR. In instances in which we were able to identify independent candidates' political leanings, we counted them among those respective parties and movements. Thus, our categorization of "independent" reflects only those candidates whose political alliances were not made apparent to us. Approximately half of the independent candidates likely to win seats are current Duma members. In most areas, ideology will matter less than the personal characteristics of the candidate and his relations with the governor.

(If you are having difficulty reading this table, try adjusting your web browser character set settings to Western and set the font to Courier, or copy the text into Word and set the font to courier.)

Table 1. Predicted 1999 State Duma Election Results

Party	SMD	Party	Total(%)	Current(%)
Communists	62	84	146 (32%)	157 (35%)
OVR	41	41	82 (18%)	0
Yabloko	14	32	46 (10%)	45 (10%)
Yedinstvo	4	30	34 (8%)	0
SPS	5	19	24 (5%)	10 (2%)
Zhirinovskiy	0	19	19 (4%)	51 (11%)
NDR	13	0	13 (3%)	55 (12%)
ROS	3	0	3	
Agrarian	2	0	2	20 (4.4%)
KRO-Boldyrev	2	0	2	5 (1.1%)
Rus. Soc. Party	1	0	1	
Women of Russia	1	0	1	3
Comm. Wor Russia	1	0	1	1
Nikolaev-Federov	2	0	2	
Za grazh do.	1	0	1	
Army	1	0	1	
Mir.Trud.Mai	1	0	1	
Spir. Heritage	1	0	1	
Independents	69	0	69 (15%)	77 (17%)

Implications for the Parties

Overall, the COMMUNISTS will lose their current dominance in the lower house and no party will be able to prevail. Instead, coalition politics will predominate. The Communists will only control about 32 percent of the new house. Although they should win more single-seat races than any other party or movement, more than half of the Communist Duma spots will come from party list voting since KPRF should win twice as much support as its closest competitor, OVR. Nevertheless, the Communists will lose many of their allies, such as the Agrarian Party, most of which will be folded into the new Otechestvo-Vsya Rossiya bloc. While the Communists may pick up some allies among the independents elected to the Duma, their voice in the lower house will be significantly reduced. Of the Communists elected in single-seat races, the overwhelming majority will be returning State Duma Deputies. Forty KPRF incumbents are expected to win reelection, and 7 deputies who were elected via party list voting in 1995 are leading contenders in single seat races. Only 15 of the anticipated 62 Communist single seat victories will go to individuals who are not current Duma members.

The main winner of the race will be OTECHESTVO-VSYA ROSSIYA as it will be able to lay claim to about 18 percent of the seats in the new Duma. Such an outcome, evenly split between party list and single-seat voting, is reasonably good for the new

party and should put party leaders in a strong position for the presidential campaign. Presumably, Yevgenii Primakov will seek the presidency and Moscow Mayor Yuriy Luzhkov will have no choice but to support him.

However, with only 18 percent of the seats, the Primakov-Luzhkov-governors' alliance will not be able to control policy formation in the way that the governors had hoped. Nevertheless, their influence will certainly be stronger in the Duma than it is now. Additionally, of the OVR deputies entering the Duma through single-seat voting, only 10 are current seat holders, while the remaining 31 will be new faces in the lower house.

YABLOKO, which does not have the support of a single regional leader, will win about the same number of seats in the Duma as it did in 1995, giving Yabloko control of about 10 percent of the body. Yabloko incumbents are expected to win in 6 districts and the bloc should pick up seats in 8 other single mandate districts as well.

YEDINSTVO will likely be the fourth largest faction, stealing much of the rock-solid pro-Kremlin vote that went to Our Home is Russia in 1995. However, the vast majority of its seats will come from the party-list voting rather than single-member districts, reflecting the political weakness of most of its governor-supporters. Prime Minister Valentin Putin will probably benefit from not being too closely associated with this bloc. In any case, his presidential prospects will rise or fall on Russia's fortunes in the Chechen war during the next six months.

Although OUR HOME IS RUSSIA's (NDR) party list prospects will suffer due to the appearance of Yedinstvo, the movement should actually improve its single-seat representation. NDR currently has 10 representatives from single-member districts, while NDR candidates look likely to win in 13 districts this time around. Five incumbents are set to win reelection, 4 current party list seat holders are leaders in single mandate races, and 4 are not presently in the Duma.

SOYUZ PRAVYKH SIL will pick up a few seats in the reformist strongholds across the country, including some candidates running as independents, and should just make it over the 5 percent barrier. The ZHIRINOVSKY BLOC will likely just squeak over the barrier as well, assuming that its 4 percent standing in the opinion polls does not fully measure its true level of support. (Many protest voters who do not surface in opinion polls turn out for Zhirinovskiy on election day). Otherwise the bloc's prospects are not good. Even the party's candidate in Pskov, the only Russian region where the governor is a Zhirinovskiy ally, is formally running as an independent.

The Role of the Governors

The governors will likely pick winners in about 65 percent of the districts. Of the 127 districts where we were able to identify the governor's candidate, that person is the predicted winner in 82 cases.

Of course, sometimes a governor supports a candidate because he believes that person will win and not because he agrees with him or her on policy choices. Therefore, just because a governor picked the right candidate does not mean that he can bend voter opinion to his will.

However, it is possible to identify where some governors are particularly weak. The clearest examples are the city of St. Petersburg, and Irkutsk, Leningrad, Kursk, Ulyanovsk, and Moscow oblasts. In St. Petersburg, the candidates supported by Governor

Vladimir Yakovlev's OVR are usually unknown to most of the voters. In Udmurtiya, by contrast, Prime Minister Aleksandr Volkov is extremely unpopular, but his candidates are likely to win anyway.

Conversely, in some regions the governor's backing can make or break a candidate. One such example is Saratov Oblast, in which Governor Dmitrii Ayatskov's support is the primary element influencing the strength of certain candidates' campaigns.

Geographical Dispersion

As usual, the Communists will show strong in the central "red belt" regions. KPRF candidates will also do well along Russia's European border, in the North Caucasus, and in Krasnoyarsk Krai. Leftist support is less concentrated in the Far East with a few likely successes in Primorskii Krai, Khabarovsk, and the Jewish Autonomous Oblast.

OVR's single-seat victors are more widespread. OVR is clearly well-positioned in Moscow City, yet the movement should also see winners in central Russia, the Volga region, the North Caucasus, the North West, and in Siberia. OVR will do well in Tatarstan, the home region of Vsyia-Rossiya co-founder Mintimer Shaimiev, but will have little success in St. Petersburg, which remains Yabloko's stronghold.

NDR's meager support is generally away from the center, with a concentration in sparsely populated Siberian regions.

Methodology

In determining the potential winners in the 225 seats, we gave top priority to information supplied by our correspondents in the regions. Their contributions helped us establish the most likely winners in 122 districts. Where such information was not available, we picked winners by evaluating a variety of factors including the candidates' national reputation, the support of the regional executive, incumbency, regional and district electoral patterns, and the candidate's employment. Naturally, there was a certain amount of guesswork involved in several of the districts. Likewise, the situation in many regions is truly unpredictable with no clear leading candidate. Nevertheless, at the end of the race such districts will produce a single winner and we strove to ascertain which candidate seems to have the slight edge. We have not made a prediction for Chechnya's district as it is unlikely that the republic will send a representative to the Duma.

To predict the outcome in the party-list voting, we simply took the average of all the public opinion polls available on the Internet. We added one point to Zhirinovsky's bloc to put it over the five-percent barrier since voters for this party traditionally do not tell pollsters their real intentions.

Table 2: Predicted 1999 State Duma Single Seat Results

District	Region	Predicted Party Winner	Gov. Support
1	Adygeya	Senin	KPRF
2	Gorno-Altai	Lapshin	OVR Chernichenko
3	Bashkortostan	Gimaev	OVR Gimaev

4	Bashkortostan	Nikitin	KPRF	Nigmatulin
5	Bashkortostan	Zaitsev	OVR	Zaitsev
6	Bashkortostan	Shugurov	KPRF	Barlybaev
7	Bashkortostan	Khakimov	ind.	
8	Bashkortostan	Saifullin	OVR	Saifullin
9	Buryatiya	Naichukova	ind.	
10	Dagestan	Tolboev	OVR	Askerkhanov
11	Dagestan	Makhachev	Nik/Fed	Makhachev
12	Ingushetiya	Amirkhanov	OVR	Amirkhanov
13	Kabardino- Balkariya	Sokhov	ind.	
14	Kalmykiya	Baturina	OVR	
15	Karachaevo- Cherkesiya	Berezovskii	ind.	Berezovskii
16	Kareliya	Pivnenko	OVR	
17	Komi	Markov	ind.	
18	Marii El	Polyakov	Agrarian	
19	Mordoviya	Grishin	OVR	Grishin
20	Sakha	Alekseev	ind.	Vasygysov
21	North Osetiya	Dedegakaev	OVR	Dedegakaev
22	Tatarstan	Saifullin	OVR	Saifullin
23	Tatarstan	Morozov	OVR	Morozov
24	Tatarstan	Urmanov	ind.	
25	Tatarstan	Ziyatdinova	OVR	Ziyatdinova
26	Tatarstan	Shashurin	ROS	Mingazov
27	Tyva	Salchak	OVR	
28	Udmurtiya	Maslyukov	KPRF	Maslyukov
29	Udmurtiya	Smirnova	ind.	Smirnova
30	Khakasiya	Maitakov	ind.	
31	Chechnya	N/A		
32	Chuvashiya	Agafonov	ind.	
33	Chuvashiya	Vorotnikov	NDR	
34	Altai Krai	Ryzhkov	NDR	Danilova
35	Altai Krai	Vorontsova	KPRF	Vorontsova
36	Altai Krai	Gerasimanko	ind.	
37	Altai Krai	Tevonyan	OVR	
38	Krasnodar	Pashuto	KPRF	Pashuto
39	Krasnodar	Burulko	KPRF	Burulko
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44	Krasnodar	Sevastyanov	KPRF	Sevastyanov
45	Krasnoyarsk	Pashenko	KPRF	
46	Krasnoyarsk	Sokolov	KPRF	
47	Krasnoyarsk	Romanov	KPRF	Romanov
48	Krasnoyarsk	Zubov	ind.	Abakumov

49	Primorskii	Serebryakov	ind.	Serebryakov
50	Primorskii	Cherepkov	Nik/Fed	Terentev
51	Primorskii	Goryacheva	KPRF	Goryacheva
52	Stavropol	Meshcherin	KPRF	Meshcherin
53	Stavropol	Malyshak	KPRF	Malyshak
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72	Vologda	Bulanov	KPRF	Bulanov
73	Vologda	Ponomarev	KPRF	Ponomarev
74	Voronezh	Rogozin	KRO	
75	Voronezh	Anishchev	ind.	
76	Voronezh	Olshanskii	ind.	
77	Voronezh	Petrochenko	ind.	
78	Ivanovo	Yakovleva	Yedinstvo	Yakovleva
79	Ivanovo	Tikhonov	KPRF	
80	Irkutsk	Zaitsev	ind.	Gurenko
81	Irkutsk	Shuba	OVR	Purdenko
82	Irkutsk	Ten	NDR	Zherebtsov
83	Irkutsk	Tusurin	KPRF	Kolesnikov
84	Kaliningrad	Nikitin	ind.	
85	Kaluga	Burdyukov	KPRF	
86	Kaluga	Beresova	WOR	
87	Kamchatka	Golenishchev	KPRF	Boltenko
88	Kemerovo	Rubezhanskii	Yedinstvo	Rubezhanskii
89	Kemerovo	Kovtun	ind.	Ivlev
90	Kemerovo	Medikov	ind.	Medikov
91	Kemerovo	Ostanina	KPRF	Ostanina
92	Kirov	Shaklein	KPRF	Shaklein
93	Kirov	Kiselev	KPRF	Kiselev
94	Kostroma	Puzanovskii	ind.	
95	Kurgan	Bezborodov	ind.	

96	Kursk	Ivanov	KPRF	Fedulov
97	Kursk	Novikov	ind.	Chetverikov
98	Leningrad	Severnard	KPRF	Belyakov
99	Leningrad	Grigorev	Com. Wor.	Pleskachevskii
100	Leningrad	Vorogushin	KPRF	Botka
101	Lipetsk	Toporkov	KPRF	
102	Lipetsk	Mikhankov	KPRF	
103	Magadan	Butkeev	ind.	
104	Moscow Oblast	Kryzhov	Yabloko	Aleksandrov
105	Moscow Oblast	Krasnikov	KPRF	Shakkum
106	Moscow Oblast	Titov	KPRF	
107	Moscow Oblast	Shabad	SPS	
108	Moscow Oblast	Nechaev	SPS	
109	Moscow Oblast	Stolyarov	OVR	
110	Moscow Oblast	Sobakin	Yabloko	
111	Moscow Oblast	Bryntsalov	RSP	
112	Moscow Oblast	Voronin	KPRF	Vasilev
113	Moscow Oblast	Savitskaya	KPRF	Tsukanov
114	Moscow Oblast	Tikhonov	ind.	
115	Murmansk	Misnik	Yabloko	
116	Murmansk	Gusenkov	ind.	
117	Nizhnii Novgorod	Nemtsov	SPS	
118	Nizhnii Novgorod	Nikit- chuk	KPRF	
119	Nizhnii Novgorod	Khodyrev	KPRF	
120	Nizhnii Novgorod	Beklem- ishcheva	Yabloko	Noskova
121	Nizhnii Novgorod	Voronov	ind.	
122	Nizhnii Novgorod	Khvatkov	ind.	
123	Novgorod	Burbulis	ind.	Burbulis
124	Novosibirsk	Kharitonov	KPRF	
125	Novosibirsk	Strelchenko	Yedinstvo	
126	Novosibirsk	Karelin	Yedinstvo	
127	Novosibirsk	Gonzharov	NDR	
128	Omsk	Volchanina	Za grazh do.	
129	Omsk	Smolin	KPRF	
130	Omsk	Baburin	ROS	
131	Orenburg	Khramov	ind.	
132	Orenburg	Zaveryukha	NDR	Zaveryukha
133	Orenburg	Volkov	ind.	
134	Orel	Labeikin	KPRF	
135	Penza	Rudenskii	OVR	Rudenskii
136	Penza	Ruzelyaev	OVR	Ruzelyaev
137	Perm	Belkin	OVR	Belkin
138	Perm	Chikulaev	OVR	Chikulaev
139	Perm	Anokhin	ind.	Anokhin
140	Perm	Pokhmelkin	SPS	Pokhmelkin

141	Pskov	Kuznetsov	ind.	Kuznetsov
142	Rostov	Averchenko	ind.	
143	Rostov	Topilin	ind.	
144	Rostov	Danchenko	KPRF	
145	Rostov	Kolomeitsev	KPRF	
146	Rostov	Yemelyanov	Yabloko	
147	Rostov	Grebenyuk	ind.	
148	Rostov	Katalnikov	ind.	
149	Ryazan	Korneeva	KPRF	Korneeva
150	Ryazan	Olenev	KPRF	
151	Samara	Dyachenko	ind.	
152	Samara	Makashov	Army	Lekareva
153	Samara	Belousov	ind.	Belousov
154	Samara	Mokryi	ind.	
155	Samara	Zykov	Yabloko	Volkov
156	Saratov	Sukhoi	OVR	Sukhoi
157	Saratov	Korgunov	NDR	Korgunov
158	Saratov	Rodionov	ind.	
159	Saratov	Gusev	ind.	Gusev
160	Sakhalin	Tretyak	ind.	Tretyak
161	Sverdlovsk	Kosintsev	Yabloko	
162	Sverdlovsk	Zyablitsev	ind.	Kovpak
163	Sverdlovsk	Leontev	ind.	Leontev
164	Sverdlovsk	Yazev	NDR	Yazev
165	Sverdlovsk	Khabarov	ind.	
166	Sverdlovsk	Yakimov	KRO	Primakov
167	Sverdlovsk	Burkov	MirTrudMai	Vorotnikova
168	Smolensk	Abramenkov	KPRF	
169	Smolensk	Lukyanov	KPRF	
170	Tambov	Ponomarev	KPRF	Ponomarev
171	Tambov	Pletneva	KPRF	Pletneva
172	Tver	Zorkin	KPRF	Danilov
173	Tver	Asktrakhankina	KPRF	
174	Tomsk	Khandorin	ind.	
175	Tula	Artemev	KPRF	Artemev
176	Tula	Korzhakov	ind.	
177	Tula	Khudyakov	KPRF	Khudyakov
178	Tyumen	Konev	NDR	Konev
179	Tyumen	Raikov	ind.	Raikov
180	Ulyanovsk	Kruglikov	KPRF	Golubkov
181	Ulyanovsk	Polyanskov	OVR	Orlov
182	Chelyabinsk	Pelevin	ind.	
183	Chelyabinsk	Yurevich	ind.	
184	Chelyabinsk	Drobyshev	ind.	
185	Chelyabinsk	Chershintsev	ind.	
186	Chelyabinsk	Gartung	ind.	
187	Chita	Kolesnikov	KPRF	

188	Chita	Kurochkin	ind.	
189	Yaroslavl	Tishkovskaya	OVR	Tishkovskaya
190	Yaroslavl	Rassadkin	OVR	Rassadkin
191	Moscow City	Draganov	OVR	Draganov
192	Moscow City	Shirokov	OVR	Shirokov
193	Moscow City	Grebennikov	OVR	Grebennikov
194	Moscow City	Chivilikhin	OVR	Chivilikhin
195	Moscow City	Lisinenko	OVR	Lisinenko
196	Moscow City	Boos	OVR	Boos
197	Moscow City	Ivanenko	Yabloko	
198	Moscow City	Ryazanskii	OVR	Ryazanskii
199	Moscow City	Zhukov	OVR	Zhukov
200	Moscow City	Velikhov	OVR	Velikhov
201	Moscow City	Bunich	NDR	
202	Moscow City	Podberezkin	Spir. Her.	
203	Moscow City	Medvedev	ind.	
204	Moscow City	Shokhin	OVR	Shokhin
205	Moscow City	Kovalev	OVR	Kovalev
206	St. Petersburg	Rybakov	SPS	Mikheev
207	St. Petersburg	Nesterov	Yabloko	Rimmer
208	St. Petersburg	Nikiforov	Yabloko	Ivanova
209	St. Petersburg	Stepashin	Yabloko	Chesnokova
210	St. Petersburg	Golov	Yabloko	Neshitov
211	St. Petersburg	Shchelishch	ind.	Ananov
212	St. Petersburg	Popov	Yabloko	Kiselev
213	St. Petersburg	Dmitrieva	OVR	Dmitrieva
214	Jewish AO	Shtorgin	KPRF	Shtorgin
215	Agin-Buryatiya	Kobzon	ind.	
216	Komi-Permyak	Klimov	ind.	
217	Koryak	Oinvid	ind.	Solodyakova
218	Nenets	Chilingarov	OVR	
219	Taimyr	Piskun	NDR	
220	Ust-Orde Buryat	Boskholov	NDR	Kuzin
221	Khanty-Mansi	Rumyantsev	Yabloko	
222	Khanty-Mansi	Lotorev	ind.	
223	Chukotka	Abramovich	ind.	Abramovich
224	Evenk	Gayulskii	NDR	
225	Yamal-Nenets	Chernomyrdin	NDR	

ELECTIONS 1999/2000

SINGLE-SEAT RACES: 44 MORE UNVEILED

This week the RRR continues its survey of the electoral races in the 225 single-member districts. With less than three weeks left before election day the races on the ground are heating up. For the first two installments of this series, please refer to the 17 and 23 November issues of the *EWI Russian Regional Report*.

Republic of Bashkortostan

District 3 - The leading candidate in District 3 is Ragib Gimaev, rector of the Bashkir State University. Gimaev belongs to OVR and is supported by the republican administration, which is to be expected since Bashkortostan President Murtaza Rakhimov is a member of Vsyá Rossiya. Gimaev's primary competitors are KPRF candidate Vera Seksyaeva and Eduard Khusnutdinov, a journalist who belongs to Yabloko.

District 4 - Incumbent KPRF State Duma Deputy Valentin Nikitin is likely to hold on to his seat in this race. Nikitin's main challengers are Yabloko candidate Marat Mirgazyamov and Robert Nigmatullin. Though running as an independent, Nigmatullin is a member of Otechestvo and has the support of OVR and President Rakhimov.

District 5 - Mikhail Zaitsev is the top contender in District 5. Zaitsev is formally running as an independent, but like Nikitin in the District 4 race, he has the backing of both OVR and the republican administration. The other prominent candidates are KPRF State Duma Deputy Vladimir Petoshin and republican Health Minister Vladimir Pevtsov, who was nominated by NDR.

District 6 - As in District 4, Communist incumbent Rasul Shugurov should hold on to his seat in District 6. Shugurov's only real competition will come from OVR candidate Khalil Barlybaev, a pro-rector of the Bashkir State University who also enjoys the support of the republican administration.

District 8 - Franis Saifullin of OVR is likely to win in this race. Like all of the other OVR candidates running in Bashkortostan, Saifullin has the backing of the republican administration. His main competitor is Yabloko's Zagir Khakimov. - Ildar Gadrafikov

Republic of Dagestan

District 10 - The clear favorite in District 10 is Magomed Tolboev, who left his position as Secretary of the Dagestan Security Council a year ago, claiming that he was unable to work with the republican leadership. Following the conflict in Dagestan in August 1999, Tolboev appeared before several Moscow journalists blaming the local authorities for the situation, claiming that they had not heeded his recommendations to prepare self-defense detachments in the region. Although technically running as an independent, Tolboev is a member of the OVR bloc. He is very popular among the region's populace. The republican government is supporting the more predictable Gamid Askerkhanov, a State Duma Deputy from NDR.

District 11 - The most likely victor in this district is Gadzhi Makhachev, an ethnic Avar who serves as the region's deputy prime minister and is the Chairman of Dagneft-Rosneft. Makhachev competed in the 1995 State Duma elections, losing to Nadir Khachilaev. Aside from the fact that Makhachev is both experienced and well known in the region and represents Dagestan's most prominent ethnic group, he also has the

support of Dagestan's governing structures, thus further ensuring his win. The fact that Makhachev is supported by the Nikolaev-Fedorov bloc, which is not particularly popular among Dagestanis, does not deter his chances for success. - Zaira Abdullaeva

Republic of Udmurtiya

District 28 - The clear winner in this district is former Russian Deputy Prime Minister Yurii Maslyukov, who is expected to pull in 70 percent of the vote. Though running as an independent, Maslyukov has garnered the full support of all of the republic's governing branches, the majority of the deputies in the State Council, including Chairman Aleksandr Volkov (who serves as the republic's chief executive), and the business elite. Maslyukov is conducting a large scale, highly professional campaign. He has openly stated that he remains a Communist and supports the KPRF. The only real competition Maslyukov faces in the race is incumbent State Duma Deputy Andrei Soluyanov. However, Soluyanov lacks support from any influential and political or economic circles. The primary tool working to Soluyanov's advantage is the support the republican leadership has thrown to Maslyukov. Volkov's opposition is considerably strong in the republic and is likely to back Soluyanov.

District 29 - The leading contender in District 29 is Deputy Chairman of the Udmurtiya State Council Svetlana Smirnova, who is running as an independent. Smirnova has the full support of the State Council and other power structures. Like Maslyukov, Smirnova is conducting a strong, large-scale campaign and is likely to win 70 percent of the vote. She is particularly popular in the rural territories and is also favored as a representative of the republic's titular ethnic group. Smirnova's main competition would have been Aleksandr Pershin, but Pershin was denied registration due to various violations in the collection of nominating signatures. Of the remaining candidates, none come close to matching Smirnova's stature. - Andrei Bystrov

Leningrad Oblast

District 98 - KPRF State Duma Deputy Yurii Severnard is the leading contender in this race. In 1995 his co-party member Yurii Belov won a decisive victory in the district. Severnard's top competition is likely to come from former Leningrad Oblast Governor Aleksandr Belyakov, who is supported by the Yedinstvo movement and NDR State Duma Deputy Vyacheslav Skvortsov.

District 99 - Incumbent State Duma Deputy Vladimir Grigorev from the Communists--Workers Russia stands to be reelected in District 99. Grigorev's strongest challenger is Yabloko candidate Boris Moiseev, although several other candidates, including former State Duma Deputy Rashid Ismagilov, the prominent lawyer Dmitrii Yakubovskii, and Yedinstvo candidate Viktor Pleskachevskii, may factor into the poll as well.

District 100 - Incumbent KPRF State Duma Deputy Viktor Vorogushin is set to serve another term representing District 100. Vorogushin's main competition is coming from two candidates who competed in the oblast's gubernatorial election in September,

nationalist Yurii Belyaev and LDPR candidate Aleksei Bondarenko. Other strong contenders include Yedinstvo candidate Nikolai Botka and Soyuz pravyykh sil candidate Zalina Medoeva. - Daniil Tsygankov

Murmansk Oblast

District 115 - There are four strong contenders vying for District 115. Although incumbent NDR State Duma Deputy Lyudmila Pobedinskaya is among the top competitors, she will have to outdo several tough challengers to hang on to her seat. The KPRF is supporting Mikhail Antropov, and independent candidate Gennadii Luzin has financial support from Norilsk Nickel and Oneksimbank. Yabloko State Duma Deputy Boris Misnik is also putting forth a strong campaign and is most likely to outdo the others.

District 116 - Murmansk Oblast Duma Deputy Vladimir Gusenkov is the most probable winner in this race. Aside from his activity in regional politics, Gusenkov is also a successful businessman. Gusenkov's strongest competitor is another Oblast Duma Deputy, Vasiliy Kalaida. Another visible candidate in the race is Vladimir Zhirinovskiy's sister Lyubov Zhirinovskaya. - Vladimir Didyk

Nizhnii Novgorod Oblast

District 117 - The primary battle in this district is between former Nizhnii Novgorod Governor Boris Nemtsov and former General Director of GAZ Boris Vidyayev. KPRF candidate Oleg Kotelnikov is likely to pull some of the conservative vote away from Vidyayev, though the accusations of Zionist conspiracies Kotelnikov has wielded against his competitors reduce his chances of gaining strong support. The district's present State Duma Deputy, Pavel Veselkin, has decided to run elsewhere in order to clear the path for Nemtsov, who is counting on GAZ President Nikolai Pugin to throw his influential backing behind the former governor. Although GAZ is not officially supporting anyone, Pugin's sympathies clearly lie with the man who was largely responsible for putting him in his present position. These circumstances put Nemtsov in the most favorable position, although both Vidyayev and Kotelnikov trail close behind in the polls. Nizhnii Novgorod Governor Ivan Sklyarov is a member of OVR, whose head, Moscow Mayor Yurii Luzhkov, essentially controls GAZ's top two competitors in Moscow. OVR decided awhile ago not to put forth a candidate in District 117.

District 118 - Incumbent KPRF State Duma Deputy Ivan Nikitchuk is likely to hold on to his seat in District 118. Nikitchuk's primary challengers are Nizhnii Novgorod FSB Representative Aleksandr Borodin and local LDPR leader, Aleksandr Kurdyumov. Kurdyumov has been campaigning actively, but without much positive response. Borodin has a lot of experience and is well known among the region's defense enterprises. Prime Minister Vladimir Putin's positive image could also work to Borodin's advantage.

District 119 - KPRF State Duma Deputy Gennadii Khodyrev is the leading candidate in this race. Having served as the first secretary of the oblast committee of the CPSU during Soviet times, Khodyrev has a longstanding reputation in the region. Combating this renown will be difficult for incumbent State Duma Deputy Ardalen Panteleev, who won this seat not long ago as a result of by-elections. Khodyrev is known among Communists for his rather unorthodox views. When Nemtsov was governor Khodyrev headed the region's trade and industry chamber, using his old connections to help the governor secure transfers from the federal government in critical situations. Khodyrev is also on good terms with Nizhnii Novgorod's present governor, Ivan Sklyarov.

District 120 - Although there are many well known candidates competing for the District 120 seat, incumbent Yabloko State Duma Deputy Olga Beklemishcheva is likely to win reelection. Other prominent candidates include Director of the Nizhnii Novgorod television station NNTV, OVR candidate Olga Noskova, General Director of the Seti-NN television station Vadim Bulavinov, local legislative assembly deputies Aleksei Svetlichnyi and Sergei Speranskii, NDR State Duma Deputy Yurii Sedov, and Volga-K General Director Aleksandr Kosovskikh.

District 121 - It is difficult to discern a clear leader in this race. The most well-known candidate is Nizhnii Novgorod Oblast Legislative Assembly Deputy Sergei Voronov. However, Voronov's name has gained notoriety through his involvement in various scandals and his blatant opposition to Governor Sklyarov. Voronov is trying to collect a million signatures to recall the governor and is writing a book criticizing him. Voronov also has better campaign resources than the other candidates competing in this race. Other strong contenders include Tatyana Chertoritskaya and NDR's Igor Ruzankin.

District 122 - Likewise, determining a definitive leader in District 122 is problematic as well as there are several well-known individuals among the contenders. These include LDPR's Anatolii Nekrasov, who was involved in the city's scandalous mayoral elections; Kstovo Mayor Vyacheslav Bolyak from NDR; former Transneft head Dmitrii Savelev, who is running as an independent; and Nikolai Khvatkov, who works for the Bor Commercial Bank and has the greatest financial campaign resources among the candidates. - Yurii Rodygin

Saratov Oblast

District 156 - Agrarian State Duma Deputy Nikolai Sukhoi is the likely victor in District 156. In his favor Sukhoi enjoys the support of Saratov Governor Dmitrii Ayatskov. Sukhoi's toughest competitor is Director of the Balakovotransservis transportation enterprise Anatolii Kalashnikov, who is running from the Stalin Bloc-for USSR movement. Kalashnikov is well known in the district and is very charismatic. District 156 is primarily rural and easily influenced by the governor, making it easy for Ayatskov's henchman to take the seat.

District 157 - Governor Ayatskov's choice also stands a good chance of winning in this race. Although NDR's Oleg Korgunov is influential in only 2 of the district's 17 raions, if

Ayatskov puts his own hand in the campaign, including the employment of such tactics as administrative pressure and job threats, Korgunov's victory will be very realistic. Korgunov's primary competition comes from Aleksei Bezrukikh of the Balashovskii Military Aviation Institute, who is running from the Nikolaev-Fedorov bloc. The success of the Chechen campaign may contribute to the popularity of military figures in the region. Incumbent State Duma Deputy Zoya Oikina and KPRF State Duma Deputy Vyacheslav Mikhailov may also prove competitive, however, as deputies they have done little for the voters. Although their chances for election are low, it is possible that the protest vote could usher Oikina back to the Duma.

District 158 - Of Saratov's 4 single-seat districts, this one is the most difficult to predict since Governor Ayatskov is playing several games. On the one hand, NDR, of which Ayatskov is an active member, has nominated Yurii Usynin. Yet, Usynin's chances for election are not very high. Anatolii Chubais, whom Ayatskov considers to play an important role in ensuring the region's energy resources, is supporting Arkadii Yevstafev, and expects the governor to do so as well. However, the oblast administration has not offered its backing, and is unlikely to do so as Yevstafev's own reputation is severely tarnished by his involvement in the \$500,000 Xerox box scandal of the 1996 presidential campaign. Regardless of Ayatskov's plans, Vladimir Rodionov remains a strong contender in this race. Various polls put him at about 30-32 percent, and he has the backing of various businesses, educators, the intelligentsia, and young people. Valerii Rashkin, first secretary of the KPRF Saratov Oblast Committee is Rodionov's strongest competition. With the stable backing of the communist electorate, Rashkin is likely to pull in 20-27 percent of the vote.

District 159 - Ayatskov's candidate, Vladimir Gusov, is likely to win in this race as well. Gusov's top competition is Marina Aleshina and Viktor Tyukhin, both of whom are conducting aggressive campaigns. Aleshina has experience in the election game: she participated in the by-election for this seat in October 1998, but lost to Vasiliy Desyatnikov, who was supported by Ayatskov. The governor might act out in opposition to Aleshina simply because she is the OVR candidate. - Yuliya Yeliseeva

Sverdlovsk Oblast

District 161 - The leading candidate in this race is former foreign intelligence officer Aleksandr Kosintsev, who is supported by Yabloko. Kosintsev's close competitor is Sverdlovsk Oblast Duma Deputy Tatyana Merzlyakova, who is more active than others in defending the interests of her representative territory on the regional level. Merzlyakova is supported by OVR.

District 163 - Of the 14 candidates competing for the District 163 seat, 3 have serious chances of winning. Aside from incumbent State Duma Deputy Malik Gaisin, Yabloko State Duma Deputy Sergei Martyushkov and Zarechnyi Mayor Georgii Leontev are strong contenders. The Transformation of the Urals movement, which is headed by Sverdlovsk Governor Eduard Rossel, has thrown its support behind Leontev, which will increase his chances of winning.

District 164 - NDR State Duma Deputy Valerii Yazev is the leading candidate in District 164. In addition to his NDR endorsement, Yazev has also received the backing of Governor Rossel's Transformation of the Urals movement, which should give him the edge over close contender, factory director Gennadii Kazakov. Incumbent State Duma Deputy Anatolii Kotkov's chances for reelection are relatively low.

District 166 - With 18 competitors battling it out for this seat, the likely winner will come from the business community. Sergei Yakimov from the Mikhalyum company, who is running on the KRO-Boldyrev ticket, and Zelimkhan Mutsoev from the Pervouralskii Pipe Factory have the best chances of winning. Both of their respective enterprises are of considerable importance in the district, and the directors are rather influential. Rossel's Transformation of the Urals movement is supporting Sverdlovsk Oblast Duma Deputy Vladimir Primakov. - Natalya Mints

Tyumen Oblast

District 178 - The leader in this race is Tyumen Oblast Duma Deputy Yurii Konev. Though a member of NDR, Konev is running as an independent. He is very visible in the region, formerly serving as the rector of the Tobolskii Pedagogical Institute and Tyumen deputy governor before joining the oblast дума three years ago. Konev has the support of the oblast administration. Tyumen Governor Leonid Roketskii is also a member of NDR.

District 179 - Incumbent State Duma Deputy Gennadii Raikov is the clear leader in District 179. Raikov's professional history includes stints as the director of a motor factory, Mayor of Tyumen, and the head of a Russian-Swedish joint enterprise, making him well-known to a large part of the electorate. Additionally, Raikov enjoys the support of the oblast administration. - Sergei Kondratev

Chelyabinsk Oblast

District 182 - The leading contender in this district is Aleksandr Pelevin, Director of the Miass Machine Building Factory. Pelevin is facing incumbent several current State Duma deputies in his bid for the District 182 seat. In addition to incumbent Vladimir Grigriadi, Yabloko Deputy Aleksandr Kuznetsov and KPRF Deputy Petr Svechnikov are also seeking election in this district.

District 183 - As in District 182, a business leader is likely to bypass professional politicians in gaining access to the State Duma. Mikhail Yurevich, who heads the board of directors of a prominent bread factory and is running as an independent, is most likely to take this seat.

District 184 - The same pattern follows in District 184 as well, with Chairman of the Board of Directors of Satka Metallurgical Factory, Andrei Drobyshev, in the lead. Drobyshev is expected to dethrone incumbent State Duma Deputy Vladimir Gorbachev.

District 185 - Incumbent State Duma Deputy Aleksandr Chershintsev should maintain his seat in District 185. Chershintsev does not face any strong competition from among the district's other 8 competitors.

District 186 - Likewise, incumbent State Duma Deputy Valerii Gartung will probably be reelected in District 186. He is one of 10 candidates running in the race and is unlikely to encounter any close competitors. - Igor Stepanov

St. Petersburg

District 206 - Incumbent State Duma Deputy Yurii Rybakov is in a good position to maintain his seat in District 206. Rybakov's top challenger is State Duma Deputy Aleksandr Nevzorov, who currently holds the Pskov Oblast District 141 seat. Vitalii Shtager, who is a member of the St. Petersburg Yabloko political council, should also make a good showing. Governor Vladimir Yakovlev, a member of OVR, is supporting OVR candidate Valerii Mikheev, a little known manager for Predportovaya.

District 207 - Yabloko incumbent State Duma Deputy Yurii Nesterov is likely to win reelection in this race. Nesterov's main competition is coming from former Moscow State Duma Deputy Irina Khakamada, who also holds the third spot on the Soyuz pravykh sil party list. OVR candidate, St. Petersburg Legislative Assembly Deputy Igor Rimmer, who is close to Yakovlev, may also prove an influential force at the ballot.

District 208 - Yabloko should hold on to its seat in District 208 as well with incumbent State Duma Deputy Sergei Nikiforov. OVR candidate, St. Petersburg State University Professor Valentina Ivanova, is likely to take second behind Nikiforov. Other candidates with a chance at influencing the outcome include Boldyrev Bloc candidate Boris Gladkikh, who served in the city's Legislative Assembly from 1994-98, and Soyuz pravykh sil candidate Ruslan Linkov, who was a close ally of late State Duma Deputy Galina Staravoitova. Two of the candidates registered for this race, Vyacheslav Marychev and Vladimir Savitskii, are also registered to compete in the city's gubernatorial election, which will also take place on 19 December. According to federal electoral law, the two must withdraw from one race no later than three days before the election.

District 209 - The clear favorite in the race for the seat formerly occupied by Galina Staravoitova is former Prime Minister Sergei Stepashin, who is running on the Yabloko ticket. As the only leftist candidate in the race, former Leningrad Oblast Governor Aleksei Vorontsev, a KPRF member running as an independent, might give Stepashin a little competition. Likewise, Director of the Rapko construction company Valerii Fedosenko and President of the Sea Fishing Port Eduard Sergeev, who are trying to secure the support of Soyuz pravykh sil and Yedinstvo, might make a showing as well. OVR has nominated little known lawyer Anna Chesnokova as its candidate.

District 210 - Yabloko incumbent State Duma Deputy Anatolii Golov is the favorite to win this seat. His main competition is coming from Director of Yurii Boldyrev's staff, Vladimir Prudnikov. St. Petersburg Legislative Assembly Deputy Konstantin Severnard, a local NDR leader, President of the Petersburg Fuel Company Andrei Stepanov, and famous film star Mikhail Boyarskii may also have a good showing. However, Stepanov and Severnard are registered to compete in the gubernatorial race as well. OVR is supporting little-known candidate Aleksandr Neshitov, General Director of the Bask market.

District 211 - This race pits former St. Petersburg Mayor Anatolii Sobchak against incumbent Yabloko State Duma Deputy Petr Shchelishch. In spite of the recognition Sobchak clearly enjoys as a former regional executive, he is unlikely to push Shchelishch out of his State Duma seat. Other strong contenders include OVR candidate jeweler Andrei Ananov, LDPR State Duma Deputy Vyacheslav Shevchenko, and KPRF candidate actress Yelena Drapeko.

District 212 - Yabloko's incumbent State Duma Deputy Sergei Popov will face a strong contender, former Yabloko co-founder Yurii Boldyrev, in District 212. Nevertheless, Popov should maintain his post. In the event that Boldyrev drops out of the race to compete in the gubernatorial contest, Popov's main competition will come from NDR's Mikhail Elydnikov, OVR's Boris Kiselev, and Communists--Workers Russia's Yurii Terentev.

District 213 - This is the only St. Petersburg district in which the leading contender comes from Yakovlev's OVR bloc. Oksana Dmitrieva, who left her position as a member of the Yabloko State Duma faction to join former Prime Minister Sergei Kirienko's cabinet as Labor Minister back in 1998, is capitalizing on her previous successes to win a St. Petersburg seat for OVR. Dmitrieva's main challenger is Yabloko candidate German Azerskii, although Boldyrev Bloc's Aleksandr Yegorov, NDR's Aleksandr Bespalov, and KPRF's Vladimir Tokarev may also prove competitive. - Daniil Tsygankov

Komi-Permyak Autonomous Okrug

District 216 - The leading contender in District 216 is Perm Oblast Legislative Assembly Deputy Andrei Klimov. As head of the Legislative Assembly's committee for regional policies, Klimov helped push forward the completion of a bridge in Kosinsk Raion that connects Kudymkar and Solikamsk, has improved tax collection, and has worked to assist hospitals, children's homes, etc. Nevertheless, Klimov must overcome some strong candidates to win the seat. His main competitor is the head doctor at the Kudymkar hospital, Vitalii Kozlovskii, who is also a Legislative Assembly deputy. Kozlovskii also has the support of the okrug administration. - Andrei Suslov

PRIVATIZATION

There is no more controversial topic in Russia than privatization. The broad outlines of the story at the national level are well known. Under Communism, the state, as the

representative of the people, owned everything. Ten years later the vast majority of the country's most valuable assets are in the hands of a small number of individuals who were able to take advantage of the situation for personal benefit. Anatolii Chubais masterminded the process in which this transfer of wealth took place in the early 1990s, making him one of the most hated men in Russia. Thanks to this chaotic process Russia is often labeled a "kleptocracy" or an example of "crony capitalism." Observers in the west are now debating "Who Lost Russia?" as an unfortunate *New York Times Magazine* cover story put it.

Plenty of ink has been spilled on this politicized and emotional topic and there is no need to rehash it here. Instead, we present the findings of a survey of RRR correspondents who were asked to look for examples of successful and unsuccessful privatizations at the regional level. In general one could say that there are a few oases of success in a vast desert of failure.

Based on these few case studies the basis of success seem to be competent and committed management, often taking advantage of employees familiar with western practices. These managers develop an intelligent investment policy that gradually improves the quality of the plant's output, modernizes equipment, increases the assortment of products, and possibly taps into foreign sales markets. Of course, there are significant limits on what even the best managers can do if they lack resources. In some cases, therefore, it helps to have access to deep-pocketed investors or loans from the state.

The privatization of regional enterprises has failed through a number of different permutations. In many cases, the main players are outside investors, existing managers, workers, and regional authorities. The investors are usually interested in making a quick profit and have no qualms about stripping a plant's assets for resale elsewhere, or radically restructuring the enterprise. The existing managers are interested in holding on to their positions and the power they have, while blocking encroachments by outsiders. Workers are mainly interested in preserving their jobs, salaries, and benefits, and will side with whomever can help them. The regional authorities want to increase their own power and ensure greater income for their coffers.

Although outside investors are often welcomed as a useful source of capital, they are almost always viewed with suspicion. To make a plant profitable, new owners often must replace poor managers and slash the number of workers. Such actions then create problems for the regional leadership, which must provide unemployment benefits for the displaced workers. Moreover, sometimes investors have good relations with a governor, but that governor is then replaced in an election by a political opponent who seeks to block the activities of his predecessor's associates. This is the case in the Kuznets Metallurgical Combine (KMK, discussed below), where the investor and workers seem to be allied against the region's relatively new governor.

Sometimes investors have to replace old managers because they block reforms required to make the plant profitable. However, such changes are not always the case. The Syktyvkar Forestry Industrial Complex seems to be a case where the old managers were able to reorient their plant to work in the new market conditions. In many cases, old managers have close ties to regional leaders and work together to avoid major changes at their plant because they have a common interest in maintaining the status quo and avoiding a social explosion.

Workers are generally willing to support whichever of the other players that can help them hold on to their jobs. In several cases, including KMK, workers gained shares in the plant, but quickly sold them to realize an immediate profit. In cases where the workers maintain their factories, they are often not able to run them effectively, and end up transferring their stake to the regional government, as was the case with Irkutsk Oblast's Khaitin China Factory. The regional authorities are often happy to take over even hopeless factories because it makes them popular among voters. Their primary interest is expanding their power and influence rather than generating healthy fiscal activity.

KEMEROVO: TULEEV LOSING CONTROL OVER REGIONAL METAL INDUSTRY. The conflict arising from the Moscow Oblast-based Metallurgical Investment Company's (MIKOM) decision to sell the Kuznets Metallurgical Combine (KMK) for its debts has come to a head. KMK is Russia's only producer of heat-hardened railroad tracks. MIKOM has imposed a state of siege at the enterprise because it does not want to hand control of the plant to a new team of managers appointed by the Tyumen Interregional Arbitration Court.

The history of the plant is typical for Russia. As a result of the plant's privatization and the subsequent resale of the shares, which quickly lost their value, both the state and the plant workers squandered their ownership of the enterprise. Now no one is sure who actually owns KMK. The Russian Economics Ministry has said that the state does not own any shares. MIKOM owns about 13 percent of the shares. This company, which is registered in Moscow Oblast, gained access to Kemerovo several years ago with the support of then Governor Mikhail Kislyuk. At that time MIKOM offered its services as a crisis manager for enterprise on the verge of collapse. For an extremely low price, MIKOM quickly gained control of KMK, the Novokusnets Aluminum Factory, and a series of large coal-mining enterprises. Under MIKOM's management the enterprises were impoverished and MIKOM transferred a considerable amount of wealth out of Kemerovo Oblast.

Kemerovo Governor Aman Tuleev then declared war on MIKOM. At his urging, Prime Minister Vladimir Putin determined that the company's activities were violating Russia's economic security interests and ordered the law enforcement agencies to impose order. However, MIKOM is not giving up. In refusing to carry out the court order, it is threatening Moscow with the possibility of a social explosion in the west Siberian region. The oblast leadership considers these threats blackmail, is seeking to extend external control over the enterprise for another 10 years, is prepared to serve as a guarantor for KMK's debts, and is simultaneously trying to buy up the plant's stocks. MIKOM is defending what it claims is its property with heavy equipment and voluntary people's guards units. The trade unions, which are controlled by MIKOM, are sending telegrams to Moscow declaring that "under the influence of the governor...an economic blockade has been built around the enterprise."

Anticipating a similar development of events at the Novokuznets Aluminum Factory, MIKOM decided to reregister the plant from Kemerovo to Moscow Oblast. The paperwork was completed on 29 October and the enterprise's board of directors will vote on the issue on 14 December. MIKOM is the main shareholder. Tuleev said that he found out what was going on by chance and views the move as the latest attempt by MIKOM to

hurt the region by depriving it of tax revenue. MIKOM may try to reregister the other companies that it owns as well. - Irina Maslennikova in Novosibirsk

KOMI: ONE FORESTRY ENTERPRISE SUCCEEDS... There are very few examples of successfully privatized enterprises. Perhaps, only the largest and most effective enterprises benefit from privatization. Examples of weak enterprises with a relatively narrow specialization that have benefited from privatization do not exist in Komi.

The most successful example of a privatization is, undoubtedly, the Syktyvkar Forestry Industrial Complex. It is one of Europe's largest producers of paper, cardboard, wallpaper, cellulose, and veneers. Initially, the process of privatization at this factory, as at most other enterprises, was a formality. But once the factory was privatized, it became clear that domestic demand for the factory's output was dropping sharply, particularly during the 1994-1996 period. The factory soon had difficulty marketing and selling its products, obtaining financing, and upgrading its facilities. Nevertheless, the factory's structure gave the managers room to maneuver while pursuing policies that they assumed to be correct. The directors chose an intelligent investment policy, hired specialists with experience working in western companies, and began gradually to improve the quality of their output, modernize the plant's equipment, increase the assortment of products, and build up foreign markets. As a result, the enterprise could not only quickly restore its previous levels of production, but significantly exceed them. In 1998, it produced more than 400,000 tons of paper, while output in 1999 is expected to exceed 606,000 tons.

Over the next couple of years, the plant plans to carry out a plan to completely overhaul its production capabilities. It has already won credits from the Komi republican government and western investors. Today the Syktyvkar Forest Industrial Complex is the most effective enterprise in the republic. - Yuri Shabaev in Syktyvkar

... WHILE ANOTHER FAILS. It is possible to find a failed example of privatization in Komi's forestry sector as well: the Syktyvkar Sawmill and Wood Processing Combine (LDK). This plant is the oldest of the republic's large enterprises, which over the course of many decades has been a major exporter of cut timber. During the last several years since it was privatized, the plant has changed hands several times. Several plans have been developed to revitalize the plant and they have all failed.

As a result, the plant entered 1999 with a debt of 218 million rubles (of which 119 million were fees and penalties). It also had run out of raw materials: on 30 December 1998, the plant used its last log. The republican authorities then had to adopt urgent measures to keep the plant alive. Initially, Eksportles helped save LDK, but in February it was declared bankrupt and the court imposed outside managers. Now the manager is developing a plan to found a new company on the basis of LDK that will not include the plant's money-losing assets (*Krasnoe znamya*, 9 September).

This scheme goes to the heart of the factory's problems. In Russia, many potentially profitable enterprises are bankrupted so that other companies or businessmen can buy them for low prices or so that the new owners can get rid of production lines that they do not need. It is no coincidence that as soon as a competent manager appears in the plant and it begins to overcome its crisis, many workers begin to protest his harsh new

programs and he is forced to leave. This is what happened at LDK and it is now back in its previous sorry state.

LDK former Director Sergei Karakchiev played a large role in this process. He is now a minister and has often come under attack in the republican press. The protest actions are not coming to an end at the plant. Clearly any major personnel changes, which will be required for true reorganization, will now provoke a new wave of social protests. - Yuri Shabaev in Syktyvkar

IRKUTSK: AUTHORITIES TRY TO FIX CHINA FACTORY PRIVATIZATION.

Twenty years ago the Khaitin China Factory was popular throughout the country. Now that past glory is only a memory even though more than half the residents of the Irkutsk area still use dish service manufactured by the factory. Nevertheless, it is being replaced by cheap imports from China, Japan, France, and Turkey. Even the August 1998 financial crisis, in which the ruble lost 75 percent of its value, did not help the factory compete.

The china factory is the main employer in the village of Mishelevka, population 8,000. About 80 percent of the working-age population are employed in the factory. The factory has been in grave difficulty for many years and now is on the verge of bankruptcy, according to former Usol Raion Mayor Nikolai Elgert. Many people have not been paid in years and during the last year the factory has been completely idle. The plant has no hope of paying back its debts.

One of Khaitin's main problems is the high cost of its products. More than 60 percent of the expenses are on the fuel oil that the plant burns, according to Usol Raion Planning and Economic Department Head Natalya Shentsova. If the plant could switch over to burning gas, it would significantly lower its expenses. However, such an opportunity will not be available until the development of the Kovykta gas deposit (see *EWI Russian Regional Investor*, 23 November).

The workers have been the owners of the factory since the plant's shares were distributed among them during the privatization process. This form of management is far from the most effective, according to former Irkutsk Oblast Deputy Governor Yuri Berezutskii. The constantly changing general directors of the plant did not have the opportunity to modernize the plant. Berezutskii believes that the factory would work better if there were one shareholder who owned a majority of the plant's stock. Such an owner would presumably take control of the investment process and have the resources to make investments. Two years ago, the factory tried to find a buyer, but no one was interested in acquiring it.

Now the oblast administration is trying to bring the plant back to life. It will create a new company, Siberian China, on the basis of the plant. The shareholders agreed to this plan at a meeting on 13 October. As part of the deal, the oblast government will take ownership of 75 percent of the stock. Khaitin General Director Viktor Tirskii does not expect any problems in handing over shares of the plant. The approximately 260 shareholders have already agreed to hand over their stakes to the oblast administration.

Reviving the factory will require 7.4 million rubles and a strong management team. The governor's staff launched a search for new managers and the East Siberian Financial Industrial Group has preliminarily agreed to take over. Although technically a competition will be held, this group is expected to win.

Now the governor's staff is working on the details of setting up the new Siberian China company. Establishing the new firm requires the agreement of all Khaitin creditors. Also the plant needs a coherent business plan. Experts think that if the plant can bring its costs down, it will be able to make a profit. With the price of imports higher after the beginning of the August 1998 crisis, china makers in the European part of Russia have been able to increase their output two to three times. - Yekaterina Vorobeva (Teleinform) in Irkutsk

PERM: "THE TYPE OF OWNERSHIP IS IRRELEVANT." "From my point of view, the level of success or failure does not depend on the form of ownership," claims Valerii Aristov, the head of the Perm Oblast Main Economic's Administration's Department of Economic Analysis and Forecasting. If we look at profit as a criterion of effectiveness, then everything depends on the sector: raw materials export-oriented enterprises make a greater profit. Additionally, the success of the enterprise depends on its management. Here it is possible to name successful examples in both the private and state sector. Among the successful enterprises are the private LUKoil-Perm and the State Dzershinskii Factory. The latter is prospering not only thanks to state defense orders, but also as a result of innovative medical technology. For example, it has recently developed a unique device for analyzing blood. - Andrei Suslov in Perm

KURSK: PRIVATIZATION HURT KHMIVOLOKNO. In the 1980s Khimvolokno (<http://home.sovtest.ru/~khv>) was Europe's largest producer of artificial fibers. Then it had three independent production facilities: Kapron, Lavsan, and a textile factory. During the last five years only the Kapron has functioned, making the fibers that are used in the production of tires. Now it has more orders than it can fill.

In 1998, the factory was only working at 16-17 percent capacity. Now more than half of its production facilities are in use. In the meantime, the Moscow financial-industrial group Neftekhimprom bought a controlling stake and has appointed a new director, Andrei Arefev. The new owner has helped the plant gain access to new sources of raw materials. It has also increased the area in which the factory's products are sold. Cloth produced in Kursk is now used to make stockings, socks, rugs, lace, and knitted garments at factories in the Black Earth region, Moscow Oblast, and Ukraine. The 36-year-old director told *Kurskaya pravda* on 15 October that the factory has every chance of becoming profitable.

Some German investors are willing to put up significant sums, but they want to have the backing of a solid guarantor. So far, however, the Kursk governor and legislature are not willing to do this. Another problem that the factory faces is that it must support the housing stock and municipal services of a settlement with a population of 40,000 people who earlier worked at the factory or serviced its needs. - Sergei Sarychev in Kursk

DAGESTAN: PRIVATIZED CONSTRUCTION FIRM COLLAPSES. The Makhachkala Home-Building Combine (DSK) is a good example of a firm that fell apart after its privatization. As a state enterprise, it produced more than 140,000 square meters of housing a year. However, since being privatized ten years ago, it has slowly collapsed. The main problem is the lack of financing for capital construction in the republic. With

no centralized funds for building new apartments only 150 of DSK's 2,000 employees are actually working. Even these workers are mostly building or repairing private houses. For the same reasons, the former Dagestani Construction Department has transformed itself into a number of smaller companies involved in repairing existing buildings and the number of workers at the Sevkavtekhmontazh has dropped by 66 percent. - Zaira Abdullaeva in Makhachkala

PATTERNS OF REGIONAL DEVELOPMENT

ST. PETERSBURG PUSHES AHEAD WITH GUBERNATORIAL ELECTIONS.

Despite the clear violations in the St. Petersburg Legislative Assembly's decision to move the city's gubernatorial elections up to 19 December, the Petersburg city court did not declare the decision illegal in a ruling handed down on 15 November. Yabloko has protested this decision to the Russian Supreme Court, which is likely to take up the matter this week.

The legal battle has not prevented the city's electoral commission from quickly moving ahead with preparations for the elections. City Electoral Commission Chairman Aleksandr Garusov told *Kommersant-Daily* that he was certain that the Supreme Court would not cancel the elections. He argued that the objections to holding the elections on the 19th were mere technicalities which would not give the court a basis to overturn the decision (<http://www.kommersant.ru/piter/1999/218/00021493.HTM>).

Governor Vladimir Yakovlev will face nine opponents in the field of ten candidates that were registered on 19 November, the last day for registration. Five of the candidates are also running for the State Duma, however, federal law prohibits running in two races simultaneously, so those candidates will likely have to withdraw from one of the races three days before election day. Former St. Petersburg Mayor Anatolii Sobchak, who had earlier announced that he would participate in the elections, declined to join the race at the last minute, declaring that he "could not participate in the falsified elections, which sooner or later will be declared invalid and cancelled" (<http://www.rusline.ru/index.html?news=9015>). Other potential candidacies from former Prime Minister Sergei Stepashin and Unified Energy System head Anatolii Chubais likewise did not emerge.

Currently Yakovlev is far ahead of the pack, with popular support of 40-70 percent. None of the other contenders have broken into the double digits yet. Only three of the other candidates have a remote chance of winning. Former First Deputy Governor Igor Artemev, the leader of the local Yabloko organization withdrew from the 1996 race to support Yakovlev, but then broke with him and resigned his position in the city administration in January 1999 (see *EWI Russian Regional Report*, 21 January). He is also running for the State Duma on the Yabloko party list. (For a particularly vicious Yabloko campaign attack on Yakovlev, see the flyer posted at http://www.yabloko.spb.ru/images/list_bw.jpg).

Yurii Boldyrev is benefiting from the city's strong antipathy to crime. In particular, he is benefiting from the scandals surrounding the arrests and releases of Legislative Assembly member Yurii Shutov, who was elected to the city legislature with Yakovlev's support, the murder of deputy Viktor Novoselov, and the ongoing scandal about the way the elections were moved up. The collapse of the Boldyrev faction in the

Legislative Assembly does not help matters: of the 16 deputies elected on his platform in December 1998, only 5 remain in the group. Several of the former members of the faction worked actively to support moving the elections, further damaging Boldyrev's standing in the public. However, since most people do not follow the details of these political scandals, they are unlikely to have much of an impact on Boldyrev's overall image.

A final contender is Petersburg Fuel Company President Andrei Stepanov. His firm usually works with Surgutneftegaz and is concerned about LUKoil's attempts to take over 30 percent of the St. Petersburg gasoline market. Since Yakovlev has supported LUKoil's plans, Stepanov feels free to oppose him. Stepanov also is likely to have the backing of Prime Minister Vladimir Putin.

Many voters would likely support an anti-Yakovlev coalition, but the adversarial relations between Artemev and Boldyrev, who dropped out of Yabloko, make such a bloc unlikely. Yakovlev hopes to avoid a run-off by winning outright in the first round. If he is unable to win the required 50 percent, then the possibility of his enemies uniting against him will become much more realistic. - Daniil Tsygankov in St. Petersburg

FOREIGN TIES

PERM JOINS US RUSSIAN REGIONAL INITIATIVE. The United States will open a representation for its Regional Investment Initiative in Perm Oblast, following a visit of a large delegation of American officials. Perm thus becomes the fourth region to be included in the initiative, following Nizhnii Novgorod, Samara, and Primorskii Krai. The Americans chose to work in Perm because of the openness of the local authorities, the region's respect for property rights, the successful experience here of several Russian-American joint ventures, including such major enterprises as the Permteks oil recovery enterprise. The presence of the representation will help to increase private direct and portfolio investment in the region. It will also make it easier for Perm enterprises to receive credits in the USA and other western countries. (For more information about this initiative, see the description posted by O. Patrick Rader, U.S. Agency for International Development, on the EWI Russian Regional Studies Network (<http://www.iew.org/rrabout.nsf/pages/RRSN>). - Biznes novosti urala

REGIONAL RESOURCES

Carnegie Book on 1999 State Duma elections

(<http://pubs.carnegie.ru/books/1999/11np/>) This recently published book provides copious information for anyone interested in the development of the 1999 State Duma elections. It includes extensive analysis of the previous elections, as well as overviews of the major parties and trends. It also provides case studies of St. Petersburg, Altai Krai, Krasnodar, Samara, and Tver. Additionally, the book has a handy list of the political affiliations of Russia's governors.

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Thomas Remington, Emory University, *Slavic Review*, Summer 1998

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Matthew Wyman, Keele University in the *The Russian Review*, October 1998

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TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Patterns of Regional Development

Moscow's Boss Under Fire

Businessman Challenges Nazdratenko in Primorskii Gubernatorial Campaign

Orenburg Governor Accused of Campaign Violations

Elections 1999/2000

Predicted State Duma Election Results Updated

Incumbent Denied Registration in Kursk...

...and Sakhalin

Political Economy

Volgograd Authorities Try To Increase Economic Role of the State

Small Business

Overview: Small Businesses Face Tough Times in Russia

Nizhnii Novgorod: Entrepreneurs Criticize Bureaucrats

Voronezh: Entrepreneurs, Officials Seek To Resolve Problems Together

Nizhnii Novgorod: EBRD Small Business Program a Success

Ulyanovsk: Administration To Provide Information, for a Fee

Novosibirsk: Locals Build Successful Businesses

Komi: Some Small Businesses Succeed...

... But Taxes Cause Problems

Perm Paint Firm Strikes It Big

Kursk: Moscow Bio tech Researchers Utilize Old Cow-Shed

Kursk: Tourist, Head Hunting Firm Fails

Dagestan: Taxes Kill Old Business

Correction: US Has Not Made Decision on Regional Investment Project

Advertisements

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BREAKING NEWS

POLITICS

LUZHKOV CHALLENGES YELTSIN DECREE ON MOSCOW POLICE. On 4 December Russian President Boris Yeltsin issued a decree removing General-Colonel Nikolai Kulikov from his position as Moscow police chief. This act outraged Moscow Mayor Yurii Luzhkov, who announced that he intended to challenge its legality in the court, *Izvestiya* reported on 7 December. On 6 December, First Deputy Moscow Police Chief General-Major Yegor Rozhkov submitted his resignation in protest.

Also on 6 December Luzhkov refused to meet with First Deputy Minister of Internal Affairs Valerii Fedorov and General Major Viktor Shvidkin, who has been named acting chief. The two were supposed to meet with the mayor to discuss the Moscow police and agree on nominating a candidate to replace Kulikov. However, Luzhkov does not intend to discuss candidates as he continues to assert that Yeltsin's decree dismissing Kulikov was illegal and unconstitutional, violating not only the Russian Constitution, but the Moscow City Charter, and the law on police as well. Article 72 of the Russian Constitution states that the staffing of law enforcement agencies is conducted cooperatively by the federation and its subjects. Article 63 of the City Charter requires that the police chief be appointed and dismissed by the Russian Minister of Internal Affairs with the support of the Moscow mayor.

In addition to the legality of Yeltsin's decree, Luzhkov is also calling into question the president's reason for dismissing Kulikov. Luzhkov claims that the examination of the Moscow Police was conducted "hastily and chaotically," and was not aimed "to help the city, but to remove the police leadership." There is strong speculation that Yeltsin's decision to remove Kulikov is strictly political with the aim of striking another blow in the Kremlin's attack against Luzhkov and the OVR movement. Luzhkov promised that, "When we [OVR] are in the Duma we will adopt a series of laws restricting arbitrary rule." Luzhkov wants the Federation Council to consider Kulikov's dismissal. (*Vremya MN*, 7 December)

ST. PETERSBURG COMMUNISTS SUPPORT YAKOVLEV. KPRF leader Gennadii Zyuganov visited St. Petersburg over the weekend to announce that the Communists would be supporting current St. Petersburg Governor Vladimir Yakovlev in his reelection bid on 19 December. There have not been any strong political figures among St. Petersburg Communists for quite some time and thus it is not surprising that the KPRF has decided not to nominate its own candidate to the post. Nevertheless, the Communists' decision to support Yakovlev is curious, as the governor is one of the founders of the Otechestvo-Vsya Rossiya (OVR) bloc, which is one of the Communists' top competitors in the State Duma elections. Zyuganov emphasized that the decision to support Yakovlev was adopted by the local KPRF committee, which is most knowledgeable on the city's problems. Leader of the St. Petersburg Communists, Yurii Belov, stated, "Vladimir Yakovlev is the only candidate who has called on us for support, and we backed him at the oblast committee plenum: he fulfilled his campaign promise and has not tried to divide the city into 'whites' and 'reds'." (*Kommersant Daily*, 7 December)

PSKOV CANDIDATES ACCUSE LDPR REPRESENTATIVE OF VIOLATIONS. Seven of the nine candidates vying for Pskov's single-member district State Duma seat (district #141) have filed a complaint with the Central Electoral Commission and the Russian procurator general charging the race's leading contender, Mikhail Kuznetsov, of campaign law violations.

Kuznetsov currently holds a seat in the Duma from the LDPR party list, but left the LDPR a few months ago and is running for the #141 seat as an independent (see *EWI Russian Regional Report*, 14 October and 23 November). However, it is widely believed that Kuznetsov left the LDPR simply because the party has been becoming less popular. Kuznetsov refrains from saying anything against LDPR and is close to Pskov Governor Yevgenii Mikhailov, who is a member of the LDPR. The complaint accuses Kuznetsov of using resources belonging to the local administration for furthering his campaign, including transportation, communication, and media services. (*Nezavisimaya Gazeta*, 2 December)

ECONOMICS

MOSCOW BUYS BACK ITS DEBT BELOW COST. In an attempt to stave off the threat of imminent default, Moscow City announced on 2 December that it had purchased \$220 million of its \$500 million Eurobond, and would take the bonds out of circulation. The city is supposed to pay off this Eurobond in spring 2000, as well as pay about \$110 million on other debts over the next several months. Head of Moscow's Municipal Debt Committee Sergei Pakhomov had previously expressed concern that the city would be unable to service all of these debts (*The Moscow Times*, 15 October). Moscow City had difficulty making payments on its foreign credits in spring 1999 as well. However, by buying back the bond while it is trading below nominal price (88.8 cents to the dollar), Moscow will be able to pay its creditors on time and maintain its positive political and economic reputation among foreign investors. (*The Moscow Times*, 3 December)

COURT ORDERS GM TO PAY ON FAULTY TATARSTAN BLAZER. A local court in Rostov-Na-Donu ordered General Motors' joint venture with Tatarstan's YelAZ to pay nearly \$50,000 in damages to Rotislav Rychanov after the cylinder block in his 1997 Chevrolet Blazer exploded while he was crossing a railroad track in July 1998. Rychanov had purchased the Blazer in January 1998, and the explosion occurred while the automobile remained under warranty with a clocked mileage of 12,000 km. After the incident occurred Rychanov requested that a GM service center replace the engine. However, YelAZ refused to make the repairs and blamed the damages on owner abuse. Rychanov was awarded \$25,000 for the cost of the Blazer and 530,000 rubles for personal suffering and losses.

According to Rychanov, the most important result of this process is that the court recognized that the car's damages were the result of a manufacturing defect. This decision could be used as the basis for the Anti-Monopoly Administration to demand a recall on all Blazers sold in Russia, *Vremya MN* reported on 2 December. GM plans to appeal the case and filed a countersuit against Rychanov for damaging GM's business reputation with comments he made in court. GM executives claim that the engine was damaged by the inappropriate use of low octane gasoline with dangerous additives that raised the temperature of the cylinder block and caused the fuel to self-combust. GM defends the quality of YelAZ Blazers, and claims that of the 1,606 automobiles sold, only 14 have had their engines replaced. (*The Moscow Times*, 7 December)

PATTERNS OF REGIONAL DEVELOPMENT

MOSCOW'S BOSS UNDER FIRE

by Nina Khrushcheva, EWI

MOSCOW - The upcoming elections to the Duma have clouded minds in Russia and around the world, leading people to forget that on December 19 Muscovites will not only choose their representatives to the federal parliament, but will also decide who rules the Russian capital. Sergei Kirienko, the former prime minister and currently a leader of the Soyuz pravyykh sil, is bidding to be Moscow's mayor. Until recently, his efforts were not taken very seriously. Mayor Yurii Luzhkov's popularity has plummeted and an upset could be in the making.

In early September Kirienko started his so-called new "glasnost" campaign against the Moscow mayor, asserting that the decrees under which the Russian capital operates have spawned a host of financial parasites who are feeding upon Muscovites. "Spravki" (official papers) are needed now for just about everything: if an out-of-town guest is coming for a visit or you simply want to remodel your apartment, you need the sanction of city hall.

Horror stories being circulated describe how an elderly visitor from Ryazan had to sit in the bathroom of her daughter's apartment as officials from the mayor's busy bureaucracy snooped about the apartment, courtesy of information provided by a busy body neighbor. The hostess did not have time to run around Moscow in order to collect the necessary documents (five all together), she also didn't have \$100 (or as some claim \$300) to bribe officials. Such events evoke vivid reminiscences of the horrors of the thirties when people informed on neighbors and friends to protect their own lives, with the only difference now that the informers have a stake in the money bureaucrats rake in, not freedom.

The "propiska" (a mandatory residence permit), an old communist form of keeping an eye on all citizens of the USSR, ceased to exist with the adoption of the new Russian constitution in 1993. This was seen as a great step towards freedom and democracy. Not by Mayor Luzhkov. Although Russian citizens no longer need a propiska, Moscow residents are required to get one on Luzhkov's demand. These policies, apparently, are not really aimed at curtailing people's freedoms, it's just that the mayor needs a way of raising money to clothe, feed and keep happy his large, dependent bureaucracy. New laws ensure the flow of new bribes.

But don't worry, insists the Moscow government, the propiska is for your own good. It allows us to keep an eye on all those suspicious elements from elsewhere, especially those Chechens, so they do not disturb your peace. The notion that Muscovites should not take the propiska personally, but see it as a necessary security matter, was driven home when Salavdi Abdurazakov was arrested and charged with involvement in the Moscow apartment bombings of a few months ago, as well as with kidnapping an NTV journalist in June 1997. To everyone's great surprise it turned out that the alleged criminal had an apartment in Moscow rented under an alias, which he was conveniently using while in the Russian capital.

So, how was he able to obtain a residency permit? Easy: he paid \$100, or \$300, or \$500 to the right person and was thus able to stay in Moscow as long as he wanted.

Luzhkov's rule is increasingly personal. Kirienko allies posted political ads in Moscow buses. The next day none of the buses with the posters appeared on their routes. The day after that, the buses were running but the ads were gone. When asked about this, Luzhkov said that such advertisements would cause unrest and demonstrations. Why, we may ask, against whom? Against Luzhkov's arbitrary politics, most likely.

Despite his surging popularity, Sergei Kirienko still might not be elected mayor. His reputation remains damaged from the economic crisis of August 1998. On the other hand, Russians do have evidence that Luzhkov can be a good manager: Moscow, like Chicago under the first Mayor Daley, is a city that works. It works, that is, if you have money.

The voters also have evidence, however, that Kirienko appears not to have fattened his wallet during the August crisis, while the mayor of Moscow turned the Russian capital into a great "kormushka" (feeding-trough) for himself and his people. Mayor Luzhkov now accuses Kirienko of smearing him through propaganda, but it is really Luzhkov's own neo-autocratic behavior that has caused his popularity to plummet from the 90 percent he enjoyed just months ago to under 50 percent now.

Luzhkov's victory, if he wins, is not going to come easy this time, which only proves that fears that Russians might dump democracy in order to bring about order may just be exaggerated. Muscovites are starting to realize that it just may take a democrat to tame corruption and inspire a true civic peace.

Nina Khrushcheva is director of communications and special projects at the EastWest Institute in New York.

BUSINESSMAN CHALLENGES NAZDRATENKO IN PRIMORSKII

GUBERNATORIAL CAMPAIGN. Of the numerous elections taking place in Primorskii Krai on 19 December (State Duma, governor, Vladivostok Duma, Vladivostok mayor, referendum on the city charter), the governor's campaign is raging the hottest. Since former Vladivostok Mayor Viktor Cherepkov dropped out of the race in protest, incumbent Yevgenii Nazdratenko's main opponent is now Aleksandr Kirilichev, the general director of the Primorskii Shipping Company (PRISCO).

In his campaign, Kirilichev stresses that in the time since Nazdratenko became governor after working as the director of an unremarkable provincial mining concern, Kirilichev has lifted a third-tier shipping company to become one of the most effective enterprises in the region (see *EWI Russian Regional Investor*, 22 July). While foreign investment in the region continues to fall, PRISCO has brought in more than \$400 million from abroad. Kirilichev contrasts Nazdratenko's correspondent course education with his three advanced degrees, including one from Japan's National Economic Institute. Kirilichev's ads make clear that he is a wealthy man and is not seeking office for money. "I cannot watch Primorskii Krai decline, while other, poorer regions start to get back on their feet. The residents' task is to replace the incompetent authorities," he asserts.

Kirilichev does not hide the fact that he has clear business motivations as well. He claimed that after Nazdratenko intervened in the affairs of Vostoktransflot (see *EWI Russian Regional Report*, 7 October), a private company, western banks refused to give credits to such large Russian companies as Sovkomflot and Novoship. Kirilichev also sought western funding to build a ship to transport oil from Sakhalin, but western creditors advised him that they would not invest in the Primorskii Krai economy while such lawlessness reigned in the region.

Kirilichev's main weakness is his inability to place campaign materials in the mass media. Only the business newspaper *Zolotoi Rog* (circulation 11,000) has printed his program. The main media in the region, controlled by the governor, ignore him. Kirilichev has complained to the Central Electoral Commission and the procurator general. His representatives charge that he has not been able to make a speech during prime time on local television. One television station told him that if he criticized the governor during his presentation, they would take him off the air.

On 5 December, Kirilichev planned to sponsor a telephone hotline for voters, organized by the newspaper *Moskovskii komsomolets*. However, on the eve of the event, the authorities announced that the telephone number that had been advertised in the media had been turned off. "The telephone company told us to look for a break in the line. However, all the other telephones in the office worked fine," according to Kirilichev spokesman Sergei Grats.

In the Vladivostok mayoral elections, there are only two candidates: acting Mayor Yurii Kopylov, appointed by Nazdratenko almost a year ago, and his subordinate, Vladimir Kotenko. Many aspects of the race remain unclear because there is currently no city charter or duma. Among the issues still unresolved are the number of votes needed for the election of the mayor, how he will set up relations with the city duma, and the very legality of the mayoral elections themselves. Since voters will elect a city duma and adopt a new charter on the day they elect a mayor, those issues remain unclear. Earlier Nazdratenko did not want to have mayoral elections when it was clear Cherepkov would win, now, however, he is in favor of

them. The authorities are hoping that against the background of the gubernatorial and State Duma elections, most people will not pay much attention to what is happening at the local level.
- Yevgenii Popravko in Vladivostok

ORENBURG GOVERNOR ACCUSED OF CAMPAIGN VIOLATIONS. On 25 November Moscow's National Press Institute hosted a press conference on Orenburg's 19 December gubernatorial election. Chairwoman of the Glas Naroda movement Anna Astakhova accused Orenburg Governor Vladimir Yelagin of multiple campaign violations, including an incident in which the local TV station, which is controlled by the governor, removed sections critical of the governor from a campaign ad prepared by his opponent, Pavel Gurkalov. Astakhova announced that a complaint had been filed to the Central Electoral Commission.

Moskovskii Novosti columnist Aleksandr Zhilin blasted Yelagin's leadership technique. Zhilin, who has examined corruption in the oblast said, "I did not expect that it was possible to send so many funds off shore from the oblast level. It is apparent that hundreds of millions [of rubles] leave the oblast and are then scattered about among off shore companies." Zhilin further complained that the oblast has vast reserves of gas, oil, and metal resources, yet pays its collective farmers 7 rubles a month and its miners 49 rubles. Zhilin further accused Yelagin of being a political opportunist: "Yelagin was in Our Home is Russia, and now he is in Yedinstvo...He even declared Primakov his adviser when Primakov was at the peak of his popularity." As a result of these political games, Zhilin asserts, the social situation in the oblast has suffered tremendously.

Additionally, Zhilin discussed the plight of the region's only newspaper not dependent on the oblast administration, *Yuzhnii Ural*. Criminal charges have been filed against the newspaper's editor-in-chief and he now employs armed guards to protect himself. Lawyer Gennadii Khokhryakov, who is defending *Yuzhnii Ural* in its conflict with Yelagin, stated, "Just as there was no justice in the Soviet Union, there is none now." He further claimed that in Orenburg Oblast "we are all being oppressed administratively." - Aleksei Pyatkovskii in Moscow

ELECTIONS 1999/2000

PREDICTED STATE DUMA ELECTION RESULTS UPDATED

Last week the RRR published its predictions for the upcoming State Duma elections. The following is an updated table reflecting changes in both the latest polls and new information provided by our correspondents regarding single-member district races. The latest polling data available this week shows that the situation is improving for the Kremlin as Yedinstvo has nearly doubled its rating, and is currently garnering 15.3 percent, bypassing Otechestvo-Vsya Rossiya (OVR), which remains steady at 11 percent. In spite of Yedinstvo's improved ratings, OVR is still likely to have a larger faction in the State Duma due to its success in the single-member districts. The Communists have lost a few points in the polls as has Soyuz Pravykh Sil, which slipped below 5 percent, clouding its prospects for winning a sizeable representation. Zhirinovsky's success also remains in doubt. The Central Electoral Commission's recent

decision to register the Liberal Democratic Party (LDPR) creates a major headache for him as both the LDPR and the Zhirinovskiy Bloc will appear on the ballot, potentially splitting the party's vote and preventing it from crossing the five percent barrier.

Party	SMD	Party	Total(%)	Current(%)
Communists	62	78	140 (31%)	157 (35%)
OVR	42	41	83 (18%)	0
Yedinstvo	4	56	60 (13%)	0
Yabloko	14	32	46 (10%)	45 (10%)
Zhirinovskiy	0	18	18 (4%)	51 (11%)
NDR	13	0	13 (3%)	55 (12%)
SPS	5	0	5 (1%)	10 (2%)
ROS	3	0	3	
Agrarian	2	0	2	20 (4.4%)
KRO-Boldyrev	2	0	2	5 (1.1%)
Nikolaev-Federov	2	0	2	
Rus. Soc. Party	1	0	1	
Women of Russia	1	0	1	3
Comm. Wor Russia	1	0	1	1
Za grazh do.	1	0	1	
Army	1	0	1	
Mir.Trud.Mai	1	0	1	
Spir. Heritage	1	0	1	
Independents	68	0	68 (15%)	77 (17%)

INCUMBENT DENIED REGISTRATION IN KURSK... On 26 November the district electoral commission for Kursk Oblast District #97 cancelled the registration of incumbent KPRF State Duma Deputy Aleksandr Potapenko with a vote of 8 to 4. Potapenko has been elected from this district three times in succession, and gathered 100,000 more votes than his closest competitor in the last elections.

Potapenko's registration was overturned due to alleged violations in campaign procedures. As explained by District #97 Electoral Commission Chairwoman Yelena Mikhailova in a 29 November interview on the Kursk television station, the complaint against Potapenko, which was filed by the Yedinstvo movement, accused the deputy of campaigning before he was registered. Additionally, a calendar displaying his portrait did not include the necessary information of the date, place of issuance, and name of the producer. The commission told Potapenko that the calendars violated the law and ordered him to destroy them. Instead of doing this, Potapenko ordered another 200,000 copies of the calendar to be printed and placed them all over the district. As a result, Potapenko's registration was revoked.

Potapenko countered that as a member of the State Duma and citizen of the Russian Federation he had the right to publish calendars with his picture. He claimed that the calendar in question had been ordered to give to young women he knew. Although the calendar does bear KPRF emblems, it does not say "Vote for Potapenko."

This situation raises two questions. The first is whether or not Potapenko's punishment was too extreme. Six of the nine candidates could have also had their registration revoked on the same grounds, but they were only issued warnings. However, an appeal has already been filed with the Central Electoral Commission in Moscow, and lawyers believe that the case will be decided in Potapenko's favor. Additionally, there is a very strong chance that Potapenko will be elected to the Duma from the KPRF federal party list. This incident has attracted considerable attention in the media and protestors are demonstrating in front of the district electoral commission building. Potapenko's rating is going up in the polls 3-5 percent per day, causing him to come in second behind the OVR's Aleksandr Chukhraev.

The second point is that this incident plays into the hands of the Communists. Truly, there is no better commercial for a candidate in the regions than conflict with authorities. The mentality of the Russian electorate is such that it is not violations of the law that provokes antipathy, but rather a candidate's conformity with the authorities. This attitude reflects the population's general distrust of power. The electoral commission refused to register Aleksandr Rutskoi for the Kursk Oblast 1996 gubernatorial election since he did not live in Kursk Oblast, and the Supreme Court overruled it. This is a very similar situation. Both the electoral commission and the candidates can use a literal interpretation of the law in their battles. - Sergei Sarychev in Kursk

...AND SAKHALIN. The Sakhalin Oblast Electoral Commission and the Central Electoral Commission refused to register Ivan Zhdakaev as a candidate for the District 160 State Duma seat. Three circumstances make this story intriguing. First, Zhdakaev is the incumbent KPRF State Duma Deputy and is popular on the poor island. Second, the grounds for refusing Zhdakaev's registration are rather controversial. Third, it is clear that Zhdakaev has made enemies among the oblast's top leadership due to his pro-Communist position in Duma voting on legislation regarding the Sakhalin oil shelf.

The district electoral commission denied Zhdakaev registration for not listing one of his three apartments on his property declaration. When the Central Electoral Commission examined the situation, Zhdakaev produced documents showing that he had sold the apartment in question two years ago. The problem arose because the buyer had not yet officially registered the purchase agreement. Zhdakaev feels that the buyer is at fault and he is guilty only of not making sure that the deal was registered. Chairman of the Central Electoral Commission Aleksandr Veshnyakov stated that the Commission did not have the right to determine who was guilty of the violation. Yet clearly the Commission held Zhdakaev responsible as 9 of the 13 members of the Central Electoral Commission voted to prevent Zhdakaev from participating in the elections.

The real reason for the rejection of Zhdakaev's candidacy likely has to do with Sakhalin oil. As *Komsomolskaya pravda* wrote, Zhdakaev has long worked against the approval of production-sharing agreements for Sakhalin in the State Duma. Although the purpose of the law is to attract foreign investments, Zhdakaev and his colleagues argue that such concessions allow foreign corporations to exploit Russian resources. As a result, the law was bogged for three years and adopted only in a very watered-down form.

Komsomolskaya pravda echoes the local democratic media, which emphasizes that during those three years the residents of Sakhalin have lost millions of dollars in investment. Additionally, the initial enthusiasm expressed by foreign participants is no longer there.

The Sakhalin Communists announced that the denial of Zhdakaev's registration is politically-motivated discrimination. However, the oblast court, to which Zhdakaev brought his complaint, decided in favor of the electoral commission. Zhdakaev intends to appeal this decision to the Russian Supreme Court. - Yevgenii Popravko in Sakhalin Oblast

POLITICAL ECONOMY

VOLGOGRAD AUTHORITIES TRY TO INCREASE ECONOMIC ROLE OF THE STATE. The Communist-controlled Volgograd Oblast Duma is continuing in its efforts to increase the degree of state economic intervention at the regional level. Recently it joined the oblast administration in putting together a list of "socially important" enterprises which would receive privileged conditions in comparison with other enterprises.

Last week the regional Duma took the next step. The deputies adopted a law on price setting in Volgograd Oblast. This act allows the regional executive to set prices on a large number of important goods and services by administrative means. Prices can now be set by directive with the help of subsidies from local budgets.

The first act of reform by the Russian government in 1992 was allowing prices to be set freely. From that time much has changed in the country's economic life, but few have denied the positive effect of ending shortages and filling store shelves. And now, in violation of Russian law, the Volgograd deputies have decided to return to regulating prices. Communist leader Anatolii Sorokin argued that the country is being ruled by price anarchy and it is necessary to fight this problem at the regional level. However, as Oleg Bolotin, the general director of Kaustik, a large chemical enterprise, pointed out now there will simply be "one more law that does not work." - Ivan Kurilla in Volgograd

SMALL BUSINESS

OVERVIEW: SMALL BUSINESSES FACE TOUGH TIMES IN RUSSIA. The situation for small business is difficult everywhere in Russia. In a November analysis, the Economic Intelligence Unit even declared that "there is indirect evidence that small business activity, which is difficult to measure statistically in Russia, may have been hit much harder by the 1998 crisis than industry as a whole, indicating possibly greater weaknesses than revealed by official data." The Second Russian Congress of Entrepreneurs, which took place in Moscow on 27-28 October called on the Russian government to completely overhaul its policies toward small businesses.

At the beginning of 1999, there were 897,000 small and medium businesses in the Russian Federation, employing more than 7 million workers, according to Goskomstat. The amount of GDP produced by small businesses in Russia is much smaller than it is in the developed market economies of the west. Nevertheless, small scale entrepreneurship is particularly strong in Russia's two capitals, Nizhnii Novgorod, cities like Perm and Novosibirsk,

where there is a large pool of skilled workers, and Saratov, where regional authorities support it.

It is possible to find examples of thriving small businesses in a wide variety of regions. The common thread that runs through the success stories is the ability of the firm to make or resell relatively high-quality products at low prices. Producing something that is almost as good as an expensive import, but at a fraction of the cost, is particularly effective, even if it is slightly more expensive than cheaper, but shoddy, domestic products. Many successful businesses started out importing foreign goods and then learned how to make something similar in Russia. The best small businesses often use foreign equipment to work with Russian materials.

The main obstacles for small businesses are taxes and poor relations with the regional and local authorities. The adoption of the federal law on imputed incomes on 31 July 1998 has proven to be a disaster (see *EWI Russian Regional Report*, 15 April 1999). The idea was to make it easier to collect taxes from small businesses, which often hide their sales and therefore pay less to the state budget than they should by law. However, the new law gives regional officials wide discretion in how to implement the tax and many regions have raised the amount of money small businesses must pay, driving lots of them out of business and increasing unemployment.

Bureaucratic regulation also create enormous problems for the business community. Many store owners complain that they suffer frequent inspections by officials seeking payments. In places like Voronezh the regional administration and businesspeople are now taking the first steps to work together to address these problems. However, since the authorities need a source of income to support themselves, it will be a long time before a solution acceptable to all sides is found. In Nizhnii Novgorod, entrepreneurs claim of a "state racket," based on the fact that many officials themselves own businesses which makes it difficult to speak of anything like fair competition.

While the efforts of the Russian government to help small businesses have generally amounted to nothing but empty promises, outsiders are having some impact. The EBRD, for example, has been providing loans to small businesses in Russia for five years. Working with local partners, this year it is making about 1,000 small business loans a month. By the end of next year, it should be making as many as 3,000 such loans a month. Its programs have created more than 100,000 jobs.

NIZHNI NOVGOROD: ENTREPRENEURS CRITICIZE BUREAUCRATS. The local newspaper *Birzha* recently published the results of a poll asking local entrepreneurs about administrative barriers in business. Overall, the entrepreneurs believe that the current political elite in Russia lives in a different world and is not able to adopt normal laws. There is some hope that the situation will improve in several years. The three main problems that the entrepreneurs identified are taxes, the "state racket," and the lack of qualified managers.

The problem with taxes is that there are too many of them. Additionally, the entrepreneurs complain that the salary tax is too high, advertising has been declared a taxable expenditure, the turnover tax is continuing to suck up much of their income, and interest rates are exorbitant. As a result of these taxes, many businesspeople must work in the shadow economy, but doing so significantly reduces their ability to expand their businesses.

The state racket is based on the fact that a large number of bureaucrats run their own businesses. As a result the most efficient enterprises must support the less efficient. This racket seriously hinders normal competition and does not allow the market to develop.

The lack of qualified managers is strongly felt and often hinders the development of an enterprise. Many workers at Russian factories continue to be paid with the goods that the factory produces. Some observers blame this situation on objective factors, however, if the workers themselves are able to sell the goods, then it would make more sense for the factory to organize a sales department to move these products. However, many managers lack the skills to do this. Russia has yet to develop a business culture in which managers can take courses to acquire new skills. Western strategies do not always work in Russian conditions, so it is necessary to develop the consulting industry and garner more experience.

Despite all these problems the entrepreneurs surveyed were relatively optimistic. Many noted that business has become more civilized in the last several years. It has also begun to work on more long-term projects. Professionalism is becoming a more desirable quality than merely having good connections. But the skeptical attitude toward the authorities remains. - Yuri Rodygin in Nizhnii Novgorod

VORONEZH: ENTREPRENEURS, OFFICIALS SEEK TO RESOLVE PROBLEMS TOGETHER. The situation for small business in Voronezh is critical. Overall, there are only 61,000 small businesses in the oblast. While in the city of Voronezh itself the authorities and entrepreneurs have been able to work together, in the countryside entrepreneurship is being suffocated just as it always has been.

Recently, entrepreneurs have been trying to organize and influence the decisions adopted by local authorities. Regional officials, including the head of the oblast administration's Department for Small and Medium Business, Viktor Novikov, and entrepreneurs met in the Oblast Duma on 12 October.

The main problems facing the businesses are high taxes, administrative barriers, and weak financial support. Novikov said that even though the number of taxes levied has shrunk, the actual amount of money flowing into the region's coffers had actually increased. Additionally, the administration is hoping to attract financial support from the US's Eurasia Foundation.

Speaking for the entrepreneurs, Sergei Shishlakov, the owner of a chain of stores, said, "Today the most profitable business is to be a state bureaucrat! Speaking frankly, if you don't give them any money, then you won't accomplish anything. Business is being squashed in Voronezh and soon everyone will move to other cities."

Sergei Fedorov, a member of the city council and the owner of the "Brat" chain of stores, recounted one day when inspectors found five different infractions in his stores. In each case, the inspectors fined him 883 rubles. He believed that most of the infractions were ridiculous, pointing out that he was fined because some of the vodka on his shelves had sediment, Nestle chocolate bars for sale did not have their characteristic luster, and a can of Nescafe lacked instructions explaining how to use the product. Fedorov believes that the inspectors should stick to a schedule that is published in advance and produce a list of fees for each violation. Currently there are 33 (mostly federal) inspection agencies operating in the city with wide authority. After an inspection, they have the power to shut down a firm, close its bank

account, or take many other actions. The entrepreneurs suggested setting up a special tax to support the bureaucrats so that they would stop preying on the business community. Among other examples, Voronezh Association of Entrepreneurs' Yurii Bezdetko noted that the regional officials have given all state-owned bakeries in the city strong price advantages, making it impossible for private bakeries to compete.

At a second meeting on 19 October, the entrepreneurs presented several draft laws designed to reduce administrative barriers to the development of entrepreneurship by reforming the inspection process. Unfortunately the laws were fuzzy in defining specific remedies. However, weakening the inspection process may have the result of hurting consumer interests since it may become easier for merchants to pass off spoiled products.

Despite the lack of progress, the oblast authorities' desire to improve their relations with the business community is clearly a positive sign. The Zheleznodorozhnii Raion administration's Foundation to Support Small and Medium Business met on 5 November and proposed ways to simplify the procedures for registering businesses. This is the first such example in Voronezh and may spread to other parts of the city (based on material in the newspaper *Bereg*, 29 October and 12 November). - Andrei Muchnik in Voronezh

NIZHNI NOVGOROD: EBRD SMALL BUSINESS PROGRAM A SUCCESS.

Providing credits for small businesses has been one of the European Bank for Reconstruction and Development's (EBRD) most successful programs in Russia. It began in 1994. During the course of the program's five year life, it has given out more than 30,000 credits worth \$380 million.

In terms of the number of credits given out and the overall amount, Nizhnii Novgorod Oblast is a leader among the 25 regions where the program is functioning. In Nizhnii Novgorod, 3,000 projects have received loans, with overall backing of \$27 million.

Until the August 1998 crisis began, five banks worked as EBRD partners in the region and they usually held about \$12 million in debts. Both the bankers and entrepreneurs suffered from the crisis, and the demand for credits shrunk considerably. In January-February of 1999, there were only about 20 participants a month in the program. In June the number of credits began to grow and really took off in September.

Now entrepreneurs are finding a way to develop their business in the new economic conditions. There is increasing demand for long-term investment credits and their share of all credits now makes up 30 percent. - Yurii Rodygin in Nizhnii Novgorod

ULYANOVSK: ADMINISTRATION TO PROVIDE INFORMATION, FOR A FEE.

The Ulyanovsk Oblast Administration and the Foundation to Support Small Business recently unveiled a project to build a database describing the economic potential of Ulyanovsk Oblast. The database is currently under construction, but eventually will include information about the productive resources of the oblast, its investment potential, price and advertising monitoring data, the text of local laws, and other information. In principle, it will be a developed marketing system that will allow local producers to sell their products, while consumers can find the goods and products that they are looking for.

The project is aimed at developing cooperation among Ulyanovsk enterprises, following the collapse of such ties with the end of the Soviet planned system. The administration hopes that this plan will set the course for local goods producers. Making information more easily available is expected to help improve the level of cooperation. "Today middlemen make 70 percent of the money. In other words, the people who don't actually produce anything are the winners," according to Sergei Butovich, the head of the oblast administration's Department on Cooperation. The administration hopes to put the buyers and sellers into more direct contact.

The Ulyanovsk database will be connected to the Region-Partner inter-regional information exchange system, which has national information about the supply and demand for goods and services. The administration employees working on the system plan to sell access to the data that they gather. - Sergei Gogin in Ulyanovsk

NOVOSIBIRSK: LOCALS BUILD SUCCESSFUL BUSINESSES. Novosibirsk has one of the highest concentrations of small business in Russia, about twice the national average, although considerably short of Moscow and St. Petersburg. About 53 percent of the firms are involved in the service and catering sector, while 29 percent are industrial producers. In 1997, they made up 11 percent of the gross regional product and paid 19 percent of the taxes. Between 1994 and 1997, the number of people working in the small business sector jumped 150 percent.

The region has adopted a law to support small business. It includes direct credits, as well as providing facilities, equipment, training for new entrepreneurs, and information services.

Novosibirsk firms have succeeded in different ways, according to the newspaper *Sibirskii kapital*. The Vestfalika Shoe Company began when its general director Mikhail Titov left the military in 1991 and started to import cars from Germany. Using the money he made from these operations, he started a firm in 1993 to import women's shoes from Italy. In 1995 he brought German equipment to Novosibirsk to assemble shoes from pieces supplied from Italy. Once this process was in place, he began to replace the Italian components with parts made in Russia. Today, over 70 percent of the content of his shoes are Russian and he imports only goods that are not available in Russia. After a long search for partners, he uses high-quality leather from suppliers in Yaroslavl and Bobruisk (Belarus).

In 1999 his shoes won national recognition by being named one of the 100 best goods in Russia. The firm now employs 200 workers and has its own store to sell its products, which are also available in many Russian cities. Customers appreciate the good quality for low prices. Titov's most important idea was using advanced technology to produce shoes at the regional level.

The firm Bait-Transit-Kontinent transports freight by rail and truck. According to Director Aleksandr Shustin "eight years ago five ordinary citizens of Novosibirsk got together convinced that nobody owed them anything and that their fate was in their own hands." They began providing transport services to Moscow, working with customers who had relatively small loads that did not fill up a container. They combined several loads to make the shipments more cost-effective. As their business grew, in 1993 they added rail service to the initial trucking business. Now the firm owns 10 railroad freight cars. Eventually, they also gained a license to transport goods abroad. The firm now employs 140 workers. After the August 1998 crisis

began, they actually increased their staff by 12 percent. The Interregional Association of Enterprise Managers awarded them a prize for being a reliable partner in 1998. - Irina Maslennikova in Novosibirsk

KOMI: SOME SMALL BUSINESSES SUCCEED... Komi is a leader in trying to develop small business, but taxation problems remain debilitating. From 1995 to 1998, the number of small businesses grew from 3,026 to 3,820. In 1997, small business employed 42,400 workers, 10 percent more than in 1995. So far, however, small businesses contribute only 1.9 percent of the region's industrial output. Yet, small businesses provide 32 percent of construction, 15 percent of retail trade, and 12 percent of domestic services. While the role of small business is growing in construction, trade, and services, its weak position in production is continuing to shrink (*Region*, no. 9, 1998).

Matreko Kholod is an example of a successful small business. It is the only firm successfully selling mushrooms and berries, a surprising accomplishment for a region as heavily forested as Komi. Vladimir Popov and some of his friends founded the firm Kholod in the early 1990s. Initially, they bought berries from residents of Komi's capital, Syktyvkar, and shipped them to Estonia. There they exchanged the berries for delicatessen goods which sell well in Komi. In order to expand his operations, Popov needed capital, so he went abroad to find a partner, changing the name of his company to Kholodinvest. West Europeans were interested in buying the region's berries and mushrooms, and one Norwegian firm agreed to provide the capital. As a result Matreko Kholod was born. The firm quickly developed more markets in a variety of countries across western Europe. However, competition there is intense since China is a major mushroom exporter while Belarus and Ukraine export a lot of berries.

Accordingly, the firm has sought to develop a larger market in Russia. Selling there is relatively difficult because many people gather and preserve their own supplies of mushrooms and berries. Nevertheless, Matreko Kholod now sells its products in major stores in Moscow, St. Petersburg, Vologda, Novo sibirsk, and Samara (*Respublika*, 21 September). - Yurii Shabaev in Syktyvkar

... BUT TAXES CAUSE PROBLEMS. Komi's tax system is causing numerous problems for the small business community. The single imputed tax adopted this year to simplify the tax system and impose better control over the tax collecting process has significantly increased the tax burden on small businesses. In fact, the smallest businesses appear to be in the worse situation. For example, taxes per square meter of space in small stores is more than two times higher than the tax for the same space in larger stores, which already benefit from other economies of scale. As a result of the introduction of this law, many hundreds of small businesses went out of business this year (see *EWI Russian Regional Report*, 15 April 1999). Businessmen have strongly criticized the authorities and in the city of Ukhta there have been massive protests held by small businessmen.

As a result of these problems, Komi leader Yurii Spiridonov on 16 February issued a decree on improving conditions for small businesses. The decree requires all ministries and departments that regulate small businesses to coordinate their activities with the republic's Economics Ministry. The decree also created an Inter-departmental Commission to remove

administrative barriers blocking the development of small business. Komi and local governments will now rent state property on a competitive basis to individual entrepreneurs and small businesses that produce at least 75 percent of the goods and services they sell. The leasing rates will be relatively low. The republic and local governments will also allow small businesses to use property given to the state in lieu of tax payments. Finally, the decree calls for an audit of all small businesses that had earlier received support from the republican budget (*Respublika*, 16 February) (see *EWI Russian Regional Report*, 25 February).

One problem remains the authorities' distrust of retail traders, whom they accuse of simply buying cheap products and selling them for higher prices. Spiridonov, for example, said in a 25 October local radio address that it was time to deal with all the market traders who allegedly did not pay their taxes and sold goods at high prices. In fact, the majority of them pay for their license and the space they rent in the market. They obtain their wares by purchasing them at wholesale markets in Moscow or in Belarus, Poland, and Turkey where goods are generally cheaper. If the authorities cracked down on this "shuttle trade" many consumers would suffer because the goods they sell are definitely cheaper than what is available in the stores. Many of the authorities were educated in the Communist era and still have a poor understanding of how the market works. Then they focused much more on the development of industry rather than services and trade. - Yuri Shabaev in Syktyvkar

PERM PAINT FIRM STRIKES IT BIG. In contrast to the Russian average, most of the small businesses in Perm are in the field of industrial production, reflecting the industrial structure of the Perm economy where most enterprises once worked for the defense industry. As a result of its industrial heritage, there are many qualified workers in the region.

KhEMI has been able to take advantage of this pool of skilled workers to become a leader in the field of paint manufacturing, and one of Perm's most successful small businesses. Initially, the firm sold foreign paints on the Perm market, but now it emphasizes its own products. It makes paints and other materials on the basis of imported materials and foreign technology. Accordingly, its products are nearly as good as imported competitors, but only half the cost. Many consumers prefer to buy KhEMI's products even though they are about 50 percent more expensive than purely domestic competitors.

KhEMI began operations in 1992 with only 20 employees. Now the firm is basically a holding company with 10 separate divisions employing 200 people all together. Director Valerii Gusev founded each of the divisions and stands at the top of the entire company.

The company's diversity helped save it once the August 1998 crisis began. Nevertheless the core of its business is paint production. The quality is high enough, that KhEMI works with such foreign companies as Akzo Novel (Netherlands), Sadolin (Finland), Body (Greece), and Belinka (Slovenia). One of the subdivisions, Koler-salon KhEMI is Sikkens' (Netherlands) only authorized partner in the Ural region. The company continues to grow. - Andrei Suslov in Perm

KURSK: MOSCOW BIOTECH RESEARCHERS UTILIZE OLD COW-SHED. One of Kursk's most noteworthy small businesses started in October 1998 in an old cow-shed at the edge of the Ponyra village. Mikhail Lymin, a Moscow State University biology professor, founded Biosolyar MGU, taking advantage of favorable conditions offered by the local

authorities and a \$10,000 loan from the local Kurskprombank (see this week's *EWI Russian Regional Investor* for more on Kurskprombank).

Using technology developed by the university, the firm produces biologically active food supplements from natural sources. The final product, called SPLAT, gives the adults and children who consume it a comprehensive supply of vitamins and minerals that protect them from a variety of diseases. Researchers believe that these natural sources of vitamins and minerals are much more effective than synthetically produced equivalents. The Kursk enterprise hopes to soon produce a sufficient supply of the product to begin large scale production. - Sergei Sarychev in Kursk

KURSK: TOURIST, HEAD HUNTING FIRM FAILS. The husband and wife team of Aleksandr and Irina Vorobev launched their firm Golubaya Ptitsa offering job search and travel services in 1997 with three friends. Aleksandr is a psychologist with a specialization in labor and professional training. He worked for a long time in the Kursk Employment Service and taught psychology at the university. Irina has a degree in language and literature and worked as a translator in the oblast administration. Initially, things went well and they were able to find a niche in both markets. Most of their customers were young people with college educations. However, after the economic crisis of August 1998, middle-income families began to spend less on travel and demand for the tourist agency's services fell off 72 percent. Only the rich continued to seek tourist services, but serving their needs was a different business. With many people out of work and few jobs to be had, the situation also began to stagnate for the employment agency. Then Irina immigrated to Italy and the business became inactive. Now all that remains is a site on the Internet (<http://www.kursknet.ru/~bluebird/>), although Aleksandr is ready to start things up again. - Sergei Sarychev in Kursk

DAGESTAN: TAXES KILL OLD BUSINESS. The imputed tax on small business adopted at the end of February has threatened the majority of small businesses in Dagestan. Overall, during the last five years, the number of small businesses has dropped 19 percent. Many of them could not pay the 20 percent tax on their expected income that the new law required. Such was the case with Kabluchok, which was founded 50 years ago and eventually privatized by its workers. During its existence it produced small numbers of leather shoes, selling its products in Yekaterinburg and Tyumen. However, the drop in the ruble's value after the August 1998 crisis caused increases in the price of transportation, leather, and rent. Thus the increased tax was the final straw that forced the firm out of business.

Stil, on the other hand, is the only textile firm in the Dagestani capital Makhachkala and has been able to survive for the last seven years. Its 50 employees can not keep up with the number of orders they have and the high quality and low prices keep attracting new customers. It imports its raw materials from Brest through shuttle traders. Despite its success, the factory does not want to expand: if it employs more than 50 workers it will lose the tax benefits it has as a small business. - Zaira Abdullaeva in Makhachkala

CORRECTION: Last week the RRR incorrectly reported that the US had chosen Perm as the fourth site for its Regional Investment Initiative. In fact, the selection has NOT

yet been made. As of this moment, there is NO fourth site for the Regional Initiative. We apologize for publishing this incorrect information.

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Federal Trends

+++++The Russian Supreme Court ruled that St. Petersburg could not hold its gubernatorial elections on 19 December. In October the city's Legislative Assembly had adopted the decision to move up the elections from April 2000 in direct violation of assembly procedures. In issuing this decision, which rules against Governor Vladimir Yakovlev, the Supreme Court has defended democratic proceedings and the rule of law as well as checking the authority of regional executives. Of course, it also served the interests of the Kremlin in undermining the position of an Otechestvo-Vsya Rossiya leader.

-----The recent appointment of Aleksandr Abramov as the deputy chief of staff in the presidential administration in charge of regions shows that the Kremlin is building up its staff to deal with national and regional elections. In the past, the Kremlin swayed regional leaders with money. Now it seems to be offering other benefits, such as relief from pesky investigations by law enforcement agencies. In its campaign to win elections, the Kremlin is handing the governors the ability to scoop up regional power and money without federal legal oversight, a very dangerous move.

+++++Rostov enterprises, with the aid of the region's anti-monopoly administration, have won several million rubles in reimbursement from the North Caucasus Railroad for illegally raising transport tariffs. By leashing one of Russia's top monopolies, this settlement sets an important precedent and demonstrates judicial support for promoting healthy market conditions.

-----A recent meeting between members of the State Duma and Komi Republic's State Council highlighted several of the factors contributing to the divide between federal and regional legislation. Ideally, federal and regional legislators would cooperate to write good laws. However, the varying level of professionalism, political make-up, and operating standards between regional and federal legislatures limit the prospects for cooperation, further hindering the creation of a unified legal space.

TABLE OF CONTENTS

Breaking News

A Summary of Key Events in the Regions

Gubernatorial Elections

Supreme Court Overturns Decision To Move Up St. Petersburg Election

Tver Gubernatorial Candidate: To Revive Economy, People Need Money

Mayoral Elections

Incumbent Still Leads in Yekaterinburg Mayoral Race

Elections 1999/2000

GAZ Stands Behind Nemtsov in Nizhnii Race

Conflict within Samara OVR Branch Hinders Bloc's Chances

Presidential Administration

Yeltsin Names Abramov as Another Administration Pointman on the Regions

Overview: Shabdurasulov Builds Support for Putin in the Regions

Shabdurasulov in Kursk: Support for Yedinstvo-Backer Rutskoii

Shabdurasulov in Kirov: Generous Support on Otechestvo's Governor's Birthday

Shabdurasulov in Kareliya: Visit Changes Prime Minister's Position

Shabdurasulov in Voronezh: Harsh Criticism of Communist Governor

Center-Periphery Relations

Komi Legislature Has Trouble Building Federalism in Legal Sphere

Patterns of Regional Development

Tatarstan President Knows Who His Deputies Will Be

TV Report Suggests High Level Corruption in Kaliningrad

Conflict Between Omsk Governor, Mayor Intensifies

Restructuring State Enterprises

Overview: State Usually Not Up To the Job

Kursk: Tobacco Firm Benefits from Crisis

Komi: No Success in Reforming State-Owned Coal Industry

Horizontal Ties

Tatarstan Academy To Open Branch in Ulyanovsk

Political Economy

Rostov Anti-Monopolists Score Victory Over Railroad

Krasnodar Seeks To Increase Regional Investment

Special Research Report

Smolensk: A Thriving Civic Community?

Advertisements

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EWI Handbook of Russian Regional Executives

Special Book Discount: The Russian Parliamentary Elections of 1995

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BREAKING NEWS

POLITICS

UDMURTIYA TO INTRODUCE POPULARLY ELECTED HEAD OF STATE.

Besides Dagestan, Udmurtiya is the only other Russian region that does not directly elect its

executive. The republic's State Council is the supreme body and the council's chairman, Aleksandr Volkov, serves as regional executive. However, a federal law on organizing the executive and legislative branches of state power in the regions adopted on 19 October 1999 requires the region to bring its governing structure into accordance with federal standards by choosing its executive via popular vote. In order to do this Udmurtiya must amend its constitution to introduce the position. The republic's voters will have a voice in choosing the title of the new executive. On 19 December they will pick between "president of the Udmurt Republic," or "head of the Udmurt Republic." The vote is not binding and serves simply as a recommendation to the authorities.

Attempts to introduce a presidency in Udmurtiya have a long history. Volkov tried to persuade the State Council to hold a referendum on introducing a presidency in 1997, but was unable to muster enough support. A referendum on the question in May 1995, before Volkov came to power, did not pass.

Once the amendment introducing a popularly elected executive is adopted, the region will have to hold elections for the post. Volkov will likely try to maintain his position, but it will be a greater challenge for him to win over the population rather than the State Council. He just won another term in 20 April elections (see *EWI Russian Regional Report*, 29 April). Volkov's most likely challenger in a popular election is Izhevsk Mayor Anatolii Saltykov. Volkov and Saltykov have long been at odds with each other, and their supporters make up the two largest factions in the State Council. The republic could save money by holding elections for the regional executive simultaneously with the Russian presidential elections next June. However, to organize the elections by then, the new amendment must be adopted as soon as possible. (*Izvestiya*, 8 December)

GOVERNORS STAND UP FOR PUTIN. On 8 December several Russian regional executives issued a special announcement calling on all of the country's political forces to support Prime Minister Vladimir Putin. The signatories were Irkutsk Governor Boris Govorin, Vologda Governor Vyacheslav Pozgalev, Pskov Governor Yevgenii Mikhailov, Khanty-Mansi Governor Aleksandr Filipenko, Nenets Governor Vladimir Butov, Ust-Orda Buryatiya Governor Valerii Maleev, Sakha President Mikhail Nikolaev, Chairman of the Dagestan Republican State Council Magomedali Magomedov, Komi President Yurii Spiridonov, Kemerovo Governor Aman Tuleev, Sakhalin Governor Igor Farkhutdinov, and Jewish Autonomous Oblast Governor Nikolai Volkov. Additionally, Our Home is Russia (NDR) leader Viktor Chernomyrdin announced that he personally supports Putin and was backing the prime minister's presidential bid. (*Kommersant Daily*, 9 December and *Vremya MN*, 10 December)

TYAZHLOV MAINTAINS STRONG SHOWING IN POLLS. Although Moscow Oblast Governor Anatolii Tyazhlov's popularity has dropped considerably over the past few months, the incumbent still stands a reasonable chance at winning reelection, *Itogi* reported on 7 December. According to recent public opinion polls, the governor has the support of 35 percent of the electorate. While Tyazhlov's primary competitors, KPRF State Duma Speaker Gennadii Seleznev, State Duma Deputy Boris Gromov, and former Finance Minister Boris

Fedorov, may be well known on the national scene, Tyazhlov has lived and worked in his region to have strong name recognition. As the incumbent, Tyazhlov also controls the oblast administration's resources, which he is obviously using to help his campaign. Additionally, the governor has the support of Moscow Mayor Yurii Luzhkov and the Otechestvo - Vsyá Rossiya (OVR) movement. Luzhkov's support may carry more resonance in Moscow Oblast than in other regions since 1.2 million of the region's 6.5 million residents work in Moscow City.

However, though Luzhkov's support for the incumbent will undoubtedly influence the electorate, it may not necessarily sway votes in Tyazhlov's favor. In fact, the governor's alliance with Luzhkov has hurt his standing among the more conservative electorate in the rural raions that have not benefited from the oblast's proximity to the Russian capital. Local politicians told *Itogi* that the resentment Moscow Oblast residents feel towards the capital is perhaps greater than that felt by other regions. One conjectured that if Tyazhlov did not have such close ties with Luzhkov, he would be getting 60 percent of the votes rather than 35, making a second electoral round unnecessary.

Likewise, the Luzhkov association had soured Tyazhlov's relations with some of the heads of local administrations in Moscow Oblast, who felt that the capital was sucking up resources that should have gone to them. However, the governor's standing improved among the local elite when Tyazhlov chose Leninskii Raion head Vasilii Golubev to serve in the newly created position of vice-governor. Golubev is popular among Moscow Oblast local administrations and quickly earned the respect of his colleagues, in part because he focuses his energy more on the oblast than on courting the Moscow bosses. Thus, the addition of Golubev to Tyazhlov's team greatly improved the governor's standing.

Nevertheless, as *Itogi* pointed out, whether Moscow Oblast residents like it or not, their region's economy depends almost entirely on the capital. Therefore, it is important for the regional executive to be on good terms with the city administration as well as with the Kremlin. However, Tyazhlov's once close relationship with President Boris Yeltsin has suffered. Although the governor has tried not to let his alliance with Luzhkov interfere with his loyalty to the president, the Kremlin has decided not to support Tyazhlov or any other candidate in the race. Some speculate that the Kremlin is offering its unofficial support to Seleznev.

Experts believe it is unlikely that any one candidate will win more than 50 percent of the vote in the first round. Of the challengers most likely to face Tyazhlov in a second round, Gromov appears to be in the best position. Oddly enough, Gromov, who is close to Luzhkov, will also have the support of OVR. This situation will clearly work to the disadvantage of both candidates, opening up possibilities for Seleznev. It is generally assumed that the KPRF nominated Seleznev to compete in the Moscow Oblast gubernatorial race as a way to gracefully remove him from the contest for the District 209 State Duma seat in St. Petersburg where he was likely to lose to Sergei Stepashin. Seleznev's national prominence and active campaigning are likely to serve him well against Tyazhlov. He is expected to pull in 15-20 percent of the vote, which might be enough to put him into the second round depending on Gromov's showing. Though a national figure, Boris Fedorov's chances of beating out this tough circle of competitors is small, reflected by his weak campaign efforts.

Though Tyazhlov's chances of advancing to the second round seem unquestionable, the incumbent is in no way ensured of an ultimate victory. A great deal will depend on whom he is

facing and the support this opponent can garner once other competitors have been eliminated from the race.

TASS TO OPEN NEW CENTER IN VLADIKAVKAZ. On 7 December President of North Osetiya Aleksandr Dzasokhov and General Director of ITAR-TASS Vitalii Ignatenko signed an agreement on establishing a regional TASS-Caucasus center, *Nezavisimaya Gazeta* reported on 8 December. The news center will be located in Vladikavkaz. The goal of the new center is to improve the dissemination of reliable information in the Caucasus, which has become increasingly more difficult due to the Chechen conflict. In a subsequent press conference Dzasokhov stated, "The Caucasus mountain range should not become an obstacle for information relations." He also spoke in favor of continuing negotiations with Chechen President Aslan Maskhadov and warned that it is important that Russia not distance itself from the Transcaucasus. In particular Dzasokhov is against Russia's decision to institute a visa regime with Georgia and Azerbaijan.

ECONOMICS

CONTROVERSY OVER CHERNOGORNEFT AUCTION CONTINUES. Although the fate of former Sidanko subsidiary Chernogorneft appeared to have been resolved when the Tyumen Oil Company (TNK) purchased it last month, (see *EWI Russian Regional Report*, 2 December), recent disputes surrounding facility suggest that it may take some time before Chernogorneft's precarious position stabilizes. On 9 December a Moscow Oblast court ordered Transneft to stop shipping Chernogorneft's crude oil. The court issued this ruling in accordance with a complaint filed by several Sidanko stockholders and creditors prior to the 26 November auction at which TNK acquired Chernogorneft, *Kommersant Daily* reported on 10 December.

However, although the court order carries great significance, the real threat to Chernogorneft's productivity is not as high. According to Transneft Vice President Sergei Grigorev, Transneft intends to follow the ruling, yet was unsure how to implement it technically. *The Moscow Times* stated on 10 December that Fuel and Energy Minister Viktor Kalyuzhniy, who has publicly sided with TNK in its disputes with Sidanko, was unlikely to impose great technical demands on Transneft in order to carry out the ruling, thus ensuring the oil's transport.

On the same day that the court order was issued, Federal Bankruptcy Service Director Georgii Tal stated that the bankruptcy of Chernogorneft was incorrect and that the lucrative enterprise had purposely been made insolvent after it had been manipulated into gathering debts. Tal further stated that TNK had benefited from a biased Siberian court and that the sale would be overturned when placed before the Supreme Arbitration Court.

In addition to these court battles, TNK's ownership of Chernogorneft could be further complicated by the upcoming sale of its own stock. At the end of the month the stated intends to sell off a 49 percent stake in TNK. According to *Kommersant Daily* on 10 December, one of the contenders hoping to purchase the stake is Interros, which owns 44 percent of the shares in Sidanko and is a TNK rival. There are several theories as to why Interros is expressing an

interest in the TNK stake. One possibility is that the company wants to seek revenge from TNK for Sidanko's losses by inflating the cost of the state holding to force TNK shareholders, who may want to control all of their company's stock, to pay a higher cost for the shares. Another possibility is that Interros is acting in the interests of its close Sidanko partner, BP Amoco, which has suffered sizable losses due to the Sidanko bankruptcy. As a form of consolation, TNK has offered BP Amoco the opportunity to create a joint venture for exploiting the Samotlor oil field. However, BP Amoco has no levers to influence TNK and thus is likely to stand little benefit from working with the company. Yet, the situation could be considerably different if Interros became an influential TNK shareholder.

PHILIP MORRIS LOSES APPEAL. The Moscow Oblast arbitration court rejected the appeal filed by Philip Morris in regard to a trademark suit it lost to Invest-Trast (see *EWI Russian Regional Report*, 14 October). Philip Morris claims that the Russian company plagiarized its trademark for Soyuz-Apollon and Bond Street cigarettes. Philip Morris plans to continue the appeals process, seeking redress in a higher court. (*Kommersant Daily*, 10 December)

GUBERNATORIAL ELECTIONS

SUPREME COURT OVERTURNS DECISION TO MOVE UP ST. PETERSBURG ELECTION. The Russian Supreme Court on 11 December ruled that St. Petersburg could not hold its gubernatorial elections on 19 December. The regional branch of Yabloko and a group of deputies from Yabloko and the Yuri Boldyrev Bloc in the city's Legislative Assembly filed the complaint. The decision is a significant blow to Governor Vladimir Yakovlev and the Otechestvo-Vsya Rossiya (OVR) Bloc, on whose party list he is the third candidate. The decision particularly hurts OVR's attempts to present itself as the main sponsor of free and fair elections because it found that there had been irregularities in the Legislative Assembly voting to move up the elections. Since it will be nearly impossible to appeal the decision to the Supreme Court presidium before the election, St. Petersburg will choose its next governor either the first Sunday in April (according to the city charter) or simultaneously with the presidential elections in June 2000 (as Yabloko has suggested).

Analysts began to predict this outcome in the Supreme Court following Prime Minister Vladimir Putin and Unified Energy System head Anatolii Chubais's quick visit to St. Petersburg on 27 November. Chubais at that time announced that the elections would be canceled. Two days later, Putin's candidate in the gubernatorial elections, Andrei Stepanov, stopped actively campaigning. During this period there were widespread rumors that Yakovlev would try to buy the support of the Supreme Court by resigning from OVR and therefore disqualifying it from the race by removing one of its top three candidates.

On 28 November the pro-government media (Russian Public Television and Russian Television) launched an anti-Yakovlev campaign. They gave his main opponents, Igor Artemev and Yuri Boldyrev prime time coverage, and reported incidents where Yabloko campaigners were pressured. The top television broadcasters also included stories about the distribution of crude campaign materials attacking Yabloko, Soyuz pravyykh sil, and the Boldyrev Bloc.

Clearly Yakovlev will have a more difficult time winning reelection in 2000 than on 19 December. There will likely be new candidates for the governor's seat in the 2000 elections. Petersburg has produced a number of federal-level politicians who could compete for the seat, including former Prime Minister Sergei Stepashin, Chubais, and former Our Home is Russia Duma faction leader Sergei Belyaev. Additionally, the term of the current city electoral committee, which is extremely loyal to Yakovlev, will run out in February. Yakovlev's opposition in the city Legislative Assembly will try to elect a speaker in the near future, either Sergei Mironov (Zakonnost faction) or Arkadii Kramarev (Razumnyi kompromiss). The world hockey championships set for May 2000 might not live up to the expectations for it and other major projects could also prove disappointing reducing Yakovlev's standing in the near future.

Nevertheless, Yakovlev remains a formidable competitor for the post. He has the city's best campaign team, including Aleksei Shustov and Vladimir Bolshakov. On the evening of 11 December, they organized a protest rally replete with anti-Moscow slogans and a special issue of the newspaper *Peterburgskaya tema* on 13 December. He also employs consultants from the firm Novokom, headed by Aleksei Koshmarov and Yevgenii Golubev's Center for Electoral Technology, which recently won the election of Valerii Serdyukov as Leningrad Oblast governor. Yakovlev will not have trouble raising money.

The influence of other factors are currently unclear. The results of the State Duma elections will also play a major role, as well as whether the alliance between Otechestvo and Vsy Rossiya falls apart before the presidential elections. Additionally, Deputy Governor Valerii Malyshev, currently heading up the OVR campaign in Petersburg, could decide to seek the governor's post himself, taking on his current boss the same way that Yakovlev once defeated former Mayor Anatolii Sobchak in the previous gubernatorial campaign. - Daniil Tsygankov in St. Petersburg

TVER GUBERNATORIAL CANDIDATE: TO REVIVE THE ECONOMY, PEOPLE NEED TO HAVE MONEY

Sergei Stepanovich Potapov, 45, is running for Tver Oblast governor. An economist by training, he is the general director of the Tver Bread Mill, the chair of the Tver Union of Industrialists and Entrepreneurs, and heads the budget and taxation committee in the oblast Legislative Assembly. RRR Correspondent Boris Goubman interviewed him this week.

RRR: Why do you want to be governor?

POTAPOV: Tver's economy today is in deep crisis. This year the population's real income has fallen by 32.1 percent compared to last year, and the oblast's ranking among Russian regions in terms of living standards plunged from 19th to 77th place. Additionally, the people do not know the truth about the state of the oblast since most of the information they receive is filtered through the media, which are directly dependent on the current oblast administration. Corruption is deeply eroding the oblast executive branch. Local producers are stifled by merciless taxes, and interest rates on government-backed loans are higher than in Moscow. Money is flowing out of the region, and production in industry and agriculture is plummeting.

The current administration has presided over a disaster, and as a result two thirds of the population live below the poverty line. I want to return joy in life to my fellow Tver residents.

RRR: As an economist and an entrepreneur, what strategic steps do you think should be taken to revitalize business activity in the oblast?

POTAPOV: The market economy needs first and foremost people with buying power, whose consumption of goods and services can drive production. Thus, my first priority will be to pay back-wages to teachers, doctors and other public sector workers. I also want to double pensions. Workers can earn higher salaries if the government forgives their tax debts and sets the profit tax at 13 percent.

My scheme will also allow the oblast to increase its tax revenues. Today we have about 630,000 people actively working in the economy. If you take their total salaries and tax income at 12 percent, the oblast can raise over 3.6 billion rubles a year, which far exceeds the entire oblast budget for 1999. On average, pensions and salaries of public sector employees should be at least three times higher than today, and with the right fiscal policies the oblast could find the money to finance these goals.

My platform does not call for abolishing taxes, but decreasing them by a factor of two or three. I also advocate forgiving tax debts to enterprises and lowering their tax burden also two or three times. In fact, if a particular town depends entirely on a specific enterprise, this enterprise should be freed from taxes altogether, as long as it raises workers' salaries several times. Another goal of mine is to provide enterprises with cheap loans and government procurement orders.

Small business today tends to operate on the black market, mostly due to the unbearable tax burden on it. We should completely free small businesses from taxes, as long as they legalize the payment of wages to their employees. The oblast could raise three times more money from taxing these employee incomes than it does now from all the taxes on small business that it can collect.

RRR: How do you plan to attract foreign and domestic capital to invest in the oblast economy?

POTAPOV: As long as we give producers low taxes, investments will flow into the oblast, and that will create many new jobs and thus increase income tax flows into oblast coffers. I will give banks such incentives that they will find it profitable to loan money to local producers. New investors should enjoy a tax holiday for at least five years.

RRR: What are your plans in the area of social policy?

POTAPOV: Tver Oblast and Russia as a whole should work toward empowering people with money by increasing their income several times. People elect their rulers, so they should expect the authorities to provide education, healthcare, justice, law enforcement, and economic development. My first priority, if elected, will be to return popular trust in government by making power transparent and accountable to the voters and the law. I will also strive to increase people's income by lowering taxes and paying back in full what the government owes the people. This will give the economy a boost, which in turn will help us solve all the social

problems. People will look forward to tomorrow with confidence, and will feel happy to be alive.

MAYORAL ELECTIONS

INCUMBENT STILL LEADS IN YEKATERINBURG MAYORAL RACE. Although the Yekaterinburg mayoral campaign is in the homestretch, the challengers to incumbent Mayor Arkadii Chernetskii are desperately trying to reduce his clear lead in the polls. According to public opinion surveys, his rating is at least twice that of any other candidate. As an incumbent, Chernetskii can tout his numerous accomplishments, including months of functioning hot water supply, new bus routes and stores, as well as promise to raise salaries, finish construction of the subway system, and improve the city's infrastructure.

However, Chernetskii's popularity is an open wound for his longtime rival, Sverdlovk Governor Eduard Rossel and his team, who have been working hard to prevent Chernetskii's reelection. In fact, the oblast administration is openly backing three of the mayoral candidates, who seem to be running not out of desire to be mayor, but because the oblast administration insisted that they run. The leading challenger is entrepreneur Igor Kovpak, who is also running for a seat in the State Duma, which is his real goal. He is followed by a listless Semen Spektor, a deputy prime minister in the oblast government. Finally, Yuri Brusnitsyn, the president's representative in the region, is running too.

The governor's team is also said to be secretly backing two more candidates, both of whom denounce the exorbitant bribes that city officials levy from business owners. One of these candidates even set up a special pager service, where anyone can call and leave an anonymous message about abuse of power by city officials. Although this initiative has hurt Chernetskii's reputation, he quickly recovered by asking to forward all the complains to him so that he personally can deal with the graft among his officials. The governor's team also tried to compromise Chernetskii's position by spreading rumors that the top leadership of Otechestvo-Vsya Rossiya is not happy with him. But most city residents do not care about Primakov's and Luzhkov's opinions when it comes to issues of city politics. And virtually all the mayoral candidates remind Yekaterinburg residents that Chernetskii's bad relationship with the governor is hurting the city. However, if the oblast indeed causes problems for the city because of some bad blood between the respective chief executives, who should be blamed more, the mayor or the governor? Consequently, opinion polls clearly show that although Chernetskii might not win outright in the first round, he is very likely to be reelected in the second round. - Natalya Mints in Yekaterinburg

ELECTIONS 1999/2000

GAZ STANDS BEHIND NEMTSOV IN NIZHNII RACE. In Nizhnii Novgorod Oblast the sharpest battle for a State Duma seat is in District 117. At the annual electoral conference of trade unions last week, Gorkii Automobile Factory (GAZ) President Nikolai Pugin announced that former Nizhnii Novgorod Governor Boris Nemtsov's victory was important for GAZ. Over the past six years Nemtsov has established an image of GAZ as the flagship of the Russian

automobile industry in both Russia and abroad. Pugin feels that no one has helped the factory more in the past than Nemtsov and no one will better help it in the future than he.

Nemtsov removed his current opponent Boris Vidyaev from the post of GAZ general director in 1994. At the time GAZ was facing hard times. The Ministry of Finance had allotted the company 102 billion rubles to develop diesel production and create a new line of trucks. According to Nemtsov, this money was not used for these purposes but rather was spent to buy up privatization vouchers. A government commission investigated these activities and Vidyaev was dismissed from his position at GAZ and was not heard from for five years.

It is widely assumed that Vidyaev is participating in the elections this year because he does not want to see Nemtsov in the Duma. Vidyaev has considerable support, in particular from Gazprom. District 117 is the only part of the city where it is very cold this winter because the local energy company did not receive the necessary 16 million cubic meters of gas. As a result the temperature in schools has dropped to 4 degrees centigrade. It is popularly believed that this situation was orchestrated to instigate dissatisfaction among voters with the current GAZ leadership and the candidate it is supporting. On 3 December residents staged a protest and demonstration at Volgostranzgaz, a subsidiary of Gazprom, under the slogan "Gazprom does not have gas for GAZ but has money for Vidyaev." Pugin says that it is unlikely that Gazprom is participating directly in the campaign, but claims that Vidyaev clearly has ties with the company. Moreover, the Communists consider Nemtsov their number one enemy and may decide to withdraw their candidate Oleg Kotelnikov in favor of Vidyaev. - Yurii Rodygin in Nizhnii Novgorod

CONFLICT WITHIN SAMARA OVR BRANCH HINDERS BLOC'S CHANCES.

Two separate Otechestvo-Vsya Rossiya campaign headquarters exist in Samara Oblast. One is located in Samara and the other in Togliatti, and both refuse to acknowledge the authority of the other. This situation has grown more intense as election day nears. At the start of the electoral campaign, OVR headquarters were in Samara. Then it was moved to Togliatti where the influence of rightest Samara Governor Konstantin Titov was not as strong. In the beginning of December the staff was moved back to Samara and the leader of the oblast branch of Otechestvo, Dmitrii Sivirkina, was named director. Shortly thereafter the leaders of the Togliatti headquarters issued a press release asserting that the director of the Samara Oblast OVR campaign headquarters would remain Vladimir Meshalkin from Togliatti. The press release stated that the OVR campaign staff included 2,000 activists throughout the oblast who were acting independently of the Samara office. The directors of the OVR campaign centers in Togliatti, Kinel-Cherkassakh, Otradnyi, and Pokhvistnevo are supporting Meshalkin.

Naturally, the actions of the Togliatti staff evoked protest from the movement's Samara leadership, however, their complaints have been half-hearted and began only after the media took an interest in the situation. They call the actions of the Togliatti staff arbitrary and state that the decision to transfer the headquarters to Samara was adopted by the movement's central headquarters and the documents were signed personally by Yevgenii Primakov. The reasoning behind the decision was that it is much more convenient to oversee the elections from the oblast center than from another city in the region. The Togliatti staff retorted that Sivirkin's staff is Titov's "fifth campaign column" and is incapable of doing the necessary work properly.

Nevertheless, OVR candidate in Togliatti's single seat race, Aleksei Kirienko, is supporting the Samara group since he fears losing the confidence of the oblast authorities.

On 7 December Sergei Yastrzhemskii, the former presidential spokesman who is now a member of the OVR central leadership, made a campaign visit to the region. He met with Sivirkin's staff and appeared before representatives of the Samara business community. Yet, he did not mention the conflict between the regional organizations. Nevertheless, the conflict does not bode well for OVR in Samara. According to local experts, the Luzhkov-Primakov alliance is likely to lose out to the Titov-backed Soyuz pravyykh sil. - Andrei Perla in Samara

PRESIDENTIAL ADMINISTRATION

YELTSIN NAMES ABRAMOV AS ANOTHER ADMINISTRATION POINTMAN ON THE REGIONS. On 7 December President Boris Yeltsin appointed Aleksandr Abramov as the deputy chief of staff in the presidential administration in charge of regions. The previous two bureaucrats who were supposedly in charge of the regions, Oleg Sysuev and Igor Shabdurasulov, did not really have time to deal with federal issues because they were too busy serving as the Kremlin's spokesmen (*Vremya MN*, 8 December). Sysuev quit his post following the decision to fire former Prime Minister Yevgenii Primakov, while Shabdurasulov, who joined the administration on 3 September as first deputy chief of staff, is focusing his attention on the elections. In recent weeks Shabdurasulov's work has taken him to numerous regions and he may see Abramov as an extra pair of hands in these efforts (see related story in this issue.)

In the absence of strong leadership in the Kremlin, the regions have been able to grab more autonomy. Prime Minister Vladimir Putin, however, is now making a concerted effort to impose greater order from the center. The Security Council meeting on 7 December discussed the various threats of separatism, legal insubordination, and executive sabotage in the regions, and Abramov has been given the job of leading the campaign to put an end to these problems. Additionally, *Izvestiya* (8 December) claimed that Abramov's main task will be to ensure that pro-Kremlin candidates win up-coming gubernatorial elections. There will be 10 governors elected on 19 December and about 50 in 2000.

It is not clear why Abramov was chosen for this job. Most recently Abramov was the deputy head of Alfa bank in charge of government relations. Earlier he worked at Menatep and Finist Bank. Before entering banking, he was a Komsomol official. He has strong ties to another deputy chief of staff, Vladislav Surkov, who also worked at Alfa bank and now handles strictly political issues in the Kremlin's relationship with the regions. Both are considered classical lobbyists. One acquaintance described Abramov as being very personable with a good knowledge of the halls of power, including those in the regions (*Kommersant Daily*, 8 December). - Robert Orttung

OVERVIEW: SHABDURASULOV BUILDS SUPPORT FOR PUTIN IN THE REGIONS. President Boris Yeltsin appointed Igor Shabdurasulov as first deputy chief of staff on 3 September. He has a wide range of responsibilities, which include serving as an overall spokesman for the administration, organizing the Kremlin's political campaigns, and relations with the regions. Shabdurasulov's main concern right now is the elections, particularly ensuring

the victory of Prime Minister Vladimir Putin in the presidential elections set for June 2000. Accordingly, the Russian media often dub him "Russia's best PR specialist," and the "Gray Cardinal behind Putin and Shoigu" (see for example, *Vechernii Chelyabinsk*, 10 December). The newspaper *Novaya gazeta* ranked him as Russia's third most influential "gray cardinal," trailing only Yeltsin's daughter Tatyana and Luzhkov's wife (*Profil*, 6 December). Additionally, he ranks 28th on *Nezavisimaya gazeta's* latest list of the top 100 Russian elite (*NG Stsenarii*, 8 December)

Although Shabdurasulov formally denies that the Kremlin supports one or another party, his actions are thinly veiled. He played a significant role in the creation of the pro-Kremlin governors' bloc Yedinstvo (see *EWI Russian Regional Report*, 23 September) and now is tirelessly promoting it. Recognizing the limited overall appeal of Yedinstvo, Shabdurasulov has welcomed other parties like Otechestvo-Vsya Rossiya, Our Home is Russia, Yabloko, and Soyuz pravyykh sil into a big-tent alliance. The only group he consciously excludes is the Communists.

Reports from the regions show how Shabdurasulov applies this strategy on the ground. He warmly greets governors who explicitly have joined Yedinstvo regardless of their history and provides them with Kremlin backing. While the Kremlin has little in the way of money to offer the regions in these days of fiscal austerity, Shabdurasulov can help get federal law enforcement agencies off the backs of the governors, making it easier for them to accumulate wealth and power at the regional level. For example, Shabdurasulov is helping Governor Aleksandr Rutskoi by removing pesky federal representatives from Kursk to other regions (see related article in this section). Kaliningrad Governor Leonid Gorbenko may have joined Yedinstvo to secure relief from a police unit investigating organized crime (see related report in this issue). Of course, the presidential administration does not have direct control over the law enforcement agencies, so the Kremlin may not always be able to deliver on the legal protection it promises governors.

Despite the Kremlin's harsh war against Primakov and Luzhkov, Shabdurasulov sees governors who support their Otechestvo-Vsya Rossiya bloc as potential allies. In Kirov, he offered Governor Vladimir Sergeenkov the Kremlin's help in his gubernatorial reelection campaign next year in exchange for supporting Putin. Shabdurasulov seems to have won similar concessions in Kareliya (see related articles in this section). Before joining the presidential administration, Shabdurasulov was the head of Russian Public Television (Channel 1), now one of the Kremlin's main weapons against Luzhkov. Shabdurasulov, however, tries to distance himself from the station's current policies, saying that he does not watch the information wars on principle (*Kommсомolskaya pravda*, 4 December). He apparently left the station after clashing with Boris Berezovskii over what political line the station should pursue. In contrast to the station's heated rhetoric against Otechestvo, Shabdurasulov claims only a few members are opposed to the president.

In contrast to his dealings with Otechestvo-Vsya Rossiya, Shabdurasulov is extremely nasty to the Communist governors. In Voronezh last month he blasted Governor Ivan Shabanov, clearly trying to blame the region's problems on the reds. Yeltsin, of course, successfully employed this tactic to win the 1996 presidential campaign.

Overall, Shabdurasulov is very critical of the presidential administration's actions in Yeltsin's second term. "We ought to have strengthened the state system, the economy, we ought to have appreciated public opinion," he said. The president's poor health and then the succession of prime ministers weakened the federal executive, leaving room for the governors to play a stronger role, he believes. Moreover, the opposition between the Federation Council and president made the regional executives more confident of their position. - Robert Orttung

SHABDURASULOV IN KURSK: SUPPORT FOR YEDINSTVO-BACKER

RUTSKOI. Shabdurasulov visited Kursk on 18 November. His main focus was the elections and he declared that Governor "Aleksandr Rutskoi thinks like me on many key issues...". Shabdurasulov said that he saw only two realistic contenders for the presidency in 2000, Vladimir Putin and Yevgenii Primakov. He made clear that he was supporting Putin. Of Primakov and Luzhkov, he said that they were worthy individuals, but that "politics and popularity makes them different people." In other words, power has ruined them.

Rutskoi also said that he would support Putin in the presidential election, since he is "a prime minister who knows what he wants" and "he is the first responsible prime minister in the Russian Federation." Of course, after Rutskoi led the anti-Yeltsin opposition in 1993, Yeltsin forbid all prime ministers from talking with him. That taboo has now been broken thanks to Rutskoi's support for Yedinstvo. The two Yedinstvo candidates for the State Duma in Kursk, Aleksandr Chetverikov and Aleksandr Fedulov, accompanied Rutskoi and Shabdurasulov at all of their appearances.

Rutskoi is doing a lot to make sure that Yedinstvo is victorious in the elections. According to Agrarian State Duma candidate Aleksandr Kozyavin Rutskoi has moved the evaluation of raion heads in the oblast from 1 November to 3 January so that he can decide whether to retain or fire them depending on the outcome of the elections. Kozyavin said that Rutskoi warned the local leaders, "If Medved [another name for Yedinstvo] does not win in your region, look for another job." He claimed that Yedinstvo has a team of twenty people seeking campaign violations by other candidates. His testimony is credible because he resigned from Rutskoi's administration only two months ago.

During his trip, Shabdurasulov said that he considers Rutskoi a worthy and orderly person. "He is an officer, and that says everything." Rutskoi said that he had known Shaburasulov for six months and that they meet once a month. "I know what I want, what Shaburasulov wants, and he knows what I want. Many of our goals are the same," Rutskoi said.

It is not hard to figure out what kind of deal the Kremlin has cut Rutskoi. In exchange for supporting Yedinstvo in the parliamentary elections and Putin in the presidential elections, the Kremlin has promised massive support for Rutskoi's election in the fall of 2000. In the mean time, Shaburasulov's trip brought significant results for Rutskoi: the head of the oblast branch of the Federal Security Service (FSB) Major General Viktor Surzhikov was transferred to Volgograd Oblast. The federal law enforcement agencies have been attacking Rutskoi's administration for much of his tenure. Additionally, head of the local police Aleksei Volkov and Kursk Procurator Nikolai Tkachev have been offered promotions in other regions as well. So far only the FSB's Surzhikov has accepted his offer and is preparing to leave for Volgograd.

This saga is far from over. During his stay, Shaburasulov graded the accomplishments of the federal law enforcement agencies in the region with a "C." - Sergei Sarychev in Kursk

SHABDURASULOV IN KIROV: GENEROUS SUPPORT ON OTECHESTVO'S GOVERNOR'S BIRTHDAY. First Deputy Presidential Chief-of-Staff Igor Shabdurasulov visited Kirov Oblast on 5 December, the birthday of Governor Vladimir Sergeenkov. In the morning he joined the governor in handing out a variety of awards to Kirov's most distinguished citizens. There he toasted the governor's health in the name of the presidential administration. At a press conference, he announced that "if the Kirov Oblast legislature decides to move the governor's elections up to the same day as the presidential elections in June 2000, then we will support Sergeenkov in this campaign because we consider him a worthy and professional person. We do not have any doubts about his candidacy."

Shabdurasulov said that he was not concerned by the fact that the Kirov governor is a member of the Otechestvo-Vsya Rossiya bloc because he believes that only a few individual members of the bloc are opposed to the president, while there are many worthy candidates on the party list. "I am a right-centrist," the guest said, "the governor is a left-centrist and now it is much simpler for us to address any question." - Valeriya Shchekotova in Kirov

SHABDURASULOV IN KARELIYA: VISIT CHANGES PRIME MINISTER'S POSITION. Shabdurasulov's 14 November visit to Kareliya apparently marked a new stage in the biography of republican Prime Minister Sergei Katanandov (for an account of the visit, see *EWI Russian Regional Report*, 17 November). The goal of Shabdurasulov's visit was to build a campaign team for the presidential elections. In the regions, he sought allies who would be willing to support the candidacy of Prime Minister Vladimir Putin and began setting up initiative groups.

Observers point out that Katanandov, who is currently cooperating with the Primakov-Luzhkov alliance of Otechestvo-Vsya Rossiya, cannot simply now join up with Putin's team. Since he has signed on with Luzhkov, he cannot openly cooperate with Putin for at least the next two months. However, Katanandov does not reject the idea of cooperation in principle and made sure that Shabdurasulov understood this.

Thus Katanandov's team is now searching for a suitable political group that already exists to handle the delicate mission of supporting Putin. The most likely candidate is the organization "Kareliya." In the 1998 republican prime ministerial elections, the organization supported former Prime Minister Viktor Stepanov but maintained a low profile after his loss.

In contrast to other members of Stepanov's campaign team, Kareliya leader Nikolai Makarov, the general director of Karelstroimekhanizatsiya, rejected the use of dirty campaign tactics in the battle against Katanandov. He later mysteriously resigned his leadership of Kareliya. On 23 November, the organization had its latest conference (after a break of 18 months) and after a discussion of the elections, elected Makarov to once again be its leader. Most of the members back Putin's candidacy in the presidential campaign. Accordingly the group also decided to back Shoigu's Yedinstvo in the Duma elections. The establishment of the pro-Putin election team in Kareliya will radically change the political landscape in Kareliya if you

take into account that many of Katanandov's closest allies are among the founders and activists of Kareliya. - Boris Matveev in Petrozavodsk

SHABDURASULOV IN VORONEZH: HARSH CRITICISM OF COMMUNIST GOVERNOR. In the middle of November, First Deputy Presidential Chief-of-Staff Igor Shabdurasulov visited Voronezh Oblast. Shabdurasulov traveled at his own initiative without an official invitation from Communist Voronezh Governor Ivan Shabanov. During his televised press conference in the region, Shabdurasulov was harshly critical of the political and economic situation in the oblast, putting Shabanov and his administration in an awkward position in the eyes of their constituents. The Kremlin official blamed the oblast's administration for the disappearance of federal subsidies that the Russian government had sent to the region. "No one knows where that money went. The law enforcement agencies should conduct an investigation."

Shabdurasulov pointed out that the average salary in Voronezh Oblast, now about 500-600 rubles (\$20-24) per month, is "disgraceful" for Central Russia. In northern Murmansk it is 3,200 rubles, and as high as 4,200 in Kareliya, he claimed. Shabdurasulov dismissed Shabanov's explanations that the oblast does not benefit from any natural resource endowments. He reminded the governor about such large and profitable enterprises in Voronezh Oblast as granite producer Pavlovskgranit, and fertilizer producer Agrohinvest. Shabdurasulov pointed out that only 18 percent of the region's households receive natural gas despite the fact that Voronezh participates in a special federal program to increase the use of gas.

Shabdurasulov warned that the oblast administration had to improve its work. During his visit, the guest from the presidential administration clearly tried to demonstrate to the voters that so-called "red governors" have completely failed to improve the population's living standards. Moreover, he stressed that conditions in the Communist-controlled regions are worse than those in the rest of Russia. If the presidential administration succeeds in persuading people that the Communists are the ones to blame, the Communists may have a smaller representation in the State Duma. (Based on reports in *Voronezhskkiye Vesti*, 19 November, and *Novaya Gazeta v Voronezhe*, 23 November.) - Andrei Muchnik in Voronezh

CENTER-PERIPHERY RELATIONS

KOMI LEGISLATURE HAS TROUBLE BUILDING FEDERALISM IN LEGAL SPHERE. The development of federalism in Russia assumes that federal laws will be obeyed in the regions. One way to ensure such compliance is to write good laws in the first place, based on cooperation between federal and regional legislatures. As a recent discussion hosted by the Club of Parliamentary Correspondents in Syktyvkar demonstrates, there is little cooperation between the law makers working at different levels of the state. At the meeting, there was a sharp exchange between Yelena Mizulina (Yabloko), the deputy chairwoman of the State Duma's Committee on Legislation and Judicial Reform, and Valerii Potolitsyn, the chairman of the Komi Republic State Council's Committee on Legislation and Deputy's Ethics.

Last year the Komi parliament suggested that the State Duma amend the law on free movement and choice of residency within the country. The problem in Komi is that several residents of Vorkuta and Inta who are eligible to be relocated as part of the program on shutting

down inefficient coal mines have begun registering relatives from other regions of the country in their apartments in order to receive larger apartments in their new places of residence. This type of manipulation makes the process of relocating these people more difficult because it incurs much higher costs (see related story on Komi's coal industry in this issue).

In the State Duma, the Komi initiative did not win enough votes to be sent on to the Federation Council and Yabloko was among the factions that voted against it. Mizulina could not explain her faction's rejection of the amendment but agreed that the problem needed to be addressed.

At the session, she spoke out against another initiative of the Komi legislature: giving real power to regional human rights ombudsmen. Currently regions have the right to establish such offices, but the lack of a legal definition of the official's powers means that he has little influence over regional authorities. Mizulina said it was premature to give much power to these ombudsmen, but admitted that human rights were being violated in the regions.

The federal and republican legislators also failed to agree on how the federal legislature should take into account the opinions and suggestions of regional legislators. Potolitsyn noted that during the last year the Komi parliament received about 600 bills that had been adopted in the first reading by the State Duma. In many cases the Komi legislature sent amendments to these bills. In the vast majority of cases, these recommendations were never considered and the final law was adopted without taking the recommendations into account. A new bill on adopting laws that affect issues jointly handled by the federation and the regions, which has been adopted in its first reading, could change the situation. However, it says that the State Duma would only take into account such recommendations if they were adopted by a majority of the regional legislature. Unfortunately, regional legislatures are physically incapable of voting on so many draft federal laws. Potolitsyn suggested that the State Duma be required to consider the amendments if they have been discussed by a group of regional legislators and bear the signature of the chairman of the regional legislature. However, Mizulina rejected that recommendation (*Respublika*, 30 November).

Part of the problem hindering a better relationship between federal and regional legislatures is that the regional legislature is not really a professional body. The level of professionalism in the regional legislature is also much lower. Additionally, the political make-up of the federal and regional legislatures are quite different. These combined factors limit the prospects for much cooperation in the near future. - Yuri Shabaev in Syktyvkar

PATTERNS OF REGIONAL DEVELOPMENT

TATARSTAN PRESIDENT KNOWS WHO HIS DEPUTIES WILL BE. One of the most interesting characteristics of the current Russian elections is the increased participation of regional leaders. Oblast governors and republican presidents have set up their own blocs, such as Otechestvo-Vsya Rossiya (OVR), use budgetary funds to further the interests of these blocs, and apply administrative levers to push through their own candidates while hindering others.

In Kazan it is well known that Tatarstan President Mintimer Shaimiev personally approved the State Duma candidates on OVR's regional list. Shaimiev also determined who should be nominated from OVR in Tatarstan's 5 single-member district races.

In addition to electing deputies to the State Duma, Tatarstani voters will also choose members of its State Council on 19 December. A recent leak from the Tatarstani presidential administration revealed the list of candidates Shaimiev's administration is supporting in this race. The list was published in *Vechernaya Kazan* on 1 December. The number of candidates included on the "presidential list" is equal to the number of council seats, 130.

The State Council envisioned by the republican administration is dominated by the heads of local administrations (53) and deputy heads (4). These local leaders are appointed by the republican president and are thus loyal to him. To these 57, the administration hopes to add 8 state and trade union officials, including republican Prime Minister Rustam Minnekhanov and the head of the presidential administration. Of the 130 deputies in the current council, only 39 work on a full-time basis, while the other members usually just show up for votes. Of these 39 only 16 have affirmed their loyalty to the local political elite. Therefore, they are included on the new "presidential list." The other large group on the list is industrialists (37) and bankers (4). Finally, to round out the list, there are two doctors, two editors, two academics, one sovkhos director and one school director. Of the 130 individuals on the list, 122 are men and 8 are women. - Midkhat Faroukshin in Kazan

TV REPORT SUGGESTS HIGH LEVEL CORRUPTION IN KALININGRAD. The political situation in Kaliningrad Oblast on the eve of State Duma elections is very tense. On 5 December NTV's Itogi implied that there was a connection between the oblast administration and rampant criminal activities in the region. Specifically, the reporters accused Governor Leonid Gorbenko of subverting the work of the local police unit set up to combat organized crime. The governor and his deputies allegedly have been trying hard to derail various criminal investigations and to keep the activities of the police in check. Supposedly Gorbenko personally asked the chief of the anti-organized crime police unit to quietly close an investigation involving First Deputy Governor Mikhail Karetnyi.

Additionally, Gorbenko still has not clarified why he left Otechestvo-Vsya Rossiya (OVR) for Yedinstvo. According to NTV, the governor joined the government-backed Yedinstvo on the condition that Moscow replace the head of the oblast anti-organized crime unit. The journalists also alleged that Vice Governor Vasilii Kotov offered them \$300,000 not to air the program.

The next day, the three most powerful men in the oblast besides the governor, Kaliningrad Mayor Yurii Savenko, Oblast Duma Speaker Valerii Ustyugov, and Presidential Representative Aleksandr Orlov announced that they will be joining forces to form an opposition to the governor and keep the region from sliding into further economic crisis. They also pledged to combat crime and the corruption of the authorities. In response, the oblast administration issued a press release saying that the new coalition is an attempt to displace the executive branch of government and facilitate negative processes in the region. Commenting on the NTV program, Vasilii Kotov said that he has grounds to sue the TV channel, and plans to do so in the near future. - Yekaterina Vasilieva in Kaliningrad

CONFLICT BETWEEN OMSK GOVERNOR, MAYOR INTENSIFIES. Although both men were reelected to office only a few months ago (see *EWI Russian Regional*

Report, 16 September), the conflict between Omsk Governor Leonid Polezhaev and Mayor Valerii Roshchupkin has sharpened recently. A gas line explosion in an Omsk apartment house has become the latest point of dispute between oblast and city officials. The explosion ruined 20 units in the building, leaving their residents homeless. Governor Polezhaev was one of the first on the scene and blamed the problem on the mayor, promising the victims new apartments although he did not explain where the money would come from. Mayor Roshchupkin was more careful in his pronouncements, and did not explain who would provide the new housing or when it would be made available.

Another point of dispute is the high fares for public transportation and the need to sell part of the transportation network to private operators. Omsk State Duma member Sergei Baburin believes that the governor is using the transportation problems as a financial and psychological lever against the mayor. The transportation problem will remain unresolved until the two levels of government are reconciled.

Finally, several members of the oblast's Legislative Assembly have accused the oblast of inappropriately using public funds to finance media aimed at discrediting the mayor. Lacking money, the oblast gave its newspaper *Omskii vestnik* two apartments, which it sold for 700,000 rubles to pay journalists salaries. Now local auditors have charged that this state property has not been used properly. - Marina Chukhlomina in Omsk

RESTRUCTURING STATE ENTERPRISES

OVERVIEW: STATE USUALLY NOT UP TO THE JOB. Although much of Russian industry has been privatized, a considerable amount of the economy remains under state control. In the case of these enterprises, the state, rather than a private entrepreneur, must try to make the enterprise a profitable operation. In some cases, such as the Kursk Tobacco Factory, the state has partially achieved this goal by bringing in competent managers. Beyond good management, the state also has power leverage that can ensure a factory's success. For example, it can arrange lucrative and monopolistic contracts for it, such as supplying cigarettes to soldiers.

Such cases may be the exception rather than the rule. RRR Komi Correspondent Yurii Shabaev reports that there are no examples of successfully restructuring a state enterprise in the Komi Republic.

Usually restructuring an enterprise requires adopting socially risky decisions, such as reducing the number of employees to increase efficiency. State bureaucrats are often reluctant to enforce policies that throw their constituents out of work. Older managers trained in the Soviet era are particularly reluctant to make such moves. As a result, the process of restructuring collapses and the enterprise continues to lose money, often soaking up state subsidies. In addition to all the other problems, there often is not enough money to carry out reconstruction quickly and competently. Komi's coal industry serves as a good example illustrating these problems.

KURSK: TOBACCO FIRM BENEFITS FROM CRISIS. Most of Kursk's industry was privatized in 1992 and 1993. The Kursk Tobacco Factory was also "privatized," but the state

retained control of a majority stake. With the state as owner, a new team of young, energetic managers led by General Director Vadim Zakharov took over at the factory. Their first step was to modernize the enterprise so that its products would be more competitive. This process has continued for several years, and in the first half of 1999 alone, the company spent 1.5 million rubles on new equipment. The investment funds come from money the factory has earned, not outside credits.

The economic crisis starting on 17 August 1998 was a major benefit to the factory because it made imported cigarettes too expensive for most consumers to buy. While some former Camel puffers quit smoking altogether, many are now smoking Kursk's Primas. One dollar buys at least 10 packs of the local brand.

The plant purchased its new equipment from the Czech firm Skoda (a subsidiary of Volkswagon). The resulting product is of relatively high quality and reasonably inexpensive. The firm has also begun producing new products, such as filterless cigarettes, that it did not produce before.

One of the key ingredients of the firm's success was its ability to win a contract with the Defense Ministry and the Ministry of Internal Affairs to supply cigarettes to the Russian forces serving in Chechnya. As a result, the factory began to pay off its tax and wage debts. Salaries have been doubled and the number of workers at the plant has increased 25 percent. During the first half of 1999, the factory increased its output 25 percent in comparison with the first half of 1998. Even more importantly, sales have increased by a factor of 15. - Sergei Sarychev in Kursk

KOMI: NO SUCCESS IN REFORMING STATE-OWNED COAL INDUSTRY. The attempts to restructure the Pechora coal basin and particularly the Vorkutaugol association of mines represent the most prominent example of unsuccessful restructuring in the Komi Republic. The large-scale restructuring program, which was supported by World Bank credits, included plans to close about one third of the regions' mines (10 separate mines), resettle residents in more southern parts of the country, and technically upgrade the remaining coal mines so that they would produce profitably.

As a result of implementing the plan, several mines were closed in Vorkuta and Inta, the residents of the village Khalmer-Yu were moved, and the residents of several other villages were prepared for eventual relocation. The initial phase of the program encouraged the most effective coal enterprises, like the Vorgashorskaya mine, to withdraw from Vorkutaugol and work independently. As a result, the different mines have begun to compete against each other on the market, undercutting the price at which they can sell their coal.

The money that the federal government provided in the form of subsidies mostly went to pay the salaries of the workers and managers. Additionally, the trade unions began to feel more confident and successfully began to seek more benefits for the miners who work in the difficult conditions of the north. Enterprise budgets began to be overloaded with burdensome social expenses and had no money left to invest in modern equipment. As a result, the output of the mines dropped dramatically and it was no longer profitable to export coal.

The state, which took on the task of financing the coal industry restructuring, is responsible for much of this situation. The state is not fulfilling its duties and every year reduces

the amount of funding designated for restructuring. In 1993, the state provided Vorkuta with 71.4 percent of its overall budget, but the figure dropped to 28.3 percent in 1997. In Inta, the figures fell from 70.3 to 19.3 percent (*Respublika*, 15 May 1998). More recently, the situation has improved a little, but most of the coal enterprises have had to pay for their restructuring programs themselves.

The miners were angered by the recent cancellation of Presidential Decree 777 which provided benefits to the Pechora Basin miners including federal supplements for working in the harsh conditions of the north. The miners are also angry at the price policies of the Railroads Ministry because it is cheaper to ship a ton of coal from Kemerovo Oblast to Russia's western border than it is to ship one from Komi. Additionally, the miners suffer because many of their customers do not pay for the coal that the miners deliver.

The mining companies simply have no money to buy new equipment to improve the efficiency of their mines. This lack of funding hinders not only the mines' attempts to improve their production but also programs to move residents of the region to more hospitable climates. Even though First Deputy Prime Minister Nikolai Aksenenko said during the first of his two trips to Komi this year that the resettlement program would be completed in three years (110,000 people must be moved from Vorkuta and Inta), the government is not fulfilling his promises. When Aksenenko returned for a second visit at the end of October, he refrained from grand promises, but nevertheless said that the World Bank would make the next tranche of a credit to buy new equipment for the coal enterprises.

The ineffective mine managers are also responsible for the difficult situation of the coal industry today. The republican and central press has published numerous articles about corruption, particularly at the Vorgashorskaya mine. After a series of scandals this year, this mine was returned to the Vorkutaugol association. Local organized crime has also made money from the region's coal by working with the leadership of the mines to set up a number of intermediary firms to sell coal. Dividing up the spheres of influence in this business has often led to murders.

In essence, the restructuring process has yet to resolve even one problem. Unprofitable and out-dated mines remain open and this year, republican leader Yurii Spiridonov said that no more mines would be closed. The mines have not been fitted with new equipment. Mine managers continue to be ineffective. Recovering coal remains extremely unprofitable. The problem of resettling the residents of the far north is only beginning to be addressed. Thus one of the country's most potentially lucrative coal regions, with enormous reserves of high-quality coal, remains a crisis zone, suffering from high levels of social tension. The population here sees no prospects for the future. - Yurii Shabaev in Syktyvkar

HORIZONTAL TIES

TATARSTAN ACADEMY OF SCIENCES TO OPEN BRANCH IN ULYANOVSK.

The Tatarstan Academy of Sciences (ANT) is opening up a branch in Ulyanovsk Oblast. Ulyanovsk will be the first federation subject to host an ANT subsidiary. According to ANT Chief Academic Secretary Ildus Khaibullin, the branch is being opened at the request of Ulyanovsk Governor Yurii Goryachev, who appealed directly to Tatarstan President Mintimer

Shaimiev, and the local Tatar population. The oblast will cover all costs associated with the branch office.

Ulyanovsk State University Rector Valerii Mishin believes that the ANT branch will serve as a collective advisor for the governor that will suggest various ideas for the oblast's social and economic development. The office will focus on economic issues, information dissemination, energy conservation, ecology, the agro-industrial complex, and culture. According to acting Ulyanovsk ANT branch Presidium Chairman Vladimir Yefimov, the primary goal of the new branch is to coordinate the activities of oblast academics in establishing regional programs. The ANT branch should bring together scholars working in universities, scientific organizations, and enterprises. - Sergei Gogin in Ulyanovsk

POLITICAL ECONOMY

ROSTOV ANTI-MONOPOLISTS SCORE VICTORY OVER RAILROAD. Rostov enterprises and the region's anti-monopoly administration have won several million rubles in reimbursement from the North Caucasus Railroad (SKZhD) for illegally overcharging for export and import shipments. Following the August 1998 financial crisis, then Railroads Minister Nikolai Aksenenko ordered that all import-export loads be paid for in hard currency. Prior to this ruling, it was possible to pay in either rubles or foreign currency. Following Aksenenko's ruling, it was necessary to pay in currency rates not only for the part of the transport that takes place outside of the Russian borders, but on the country's territory as well. Since the ruble has lost 75 percent of its value in relation to the dollar, the tariff for transporting imports and exports has increased to four times its pre-crisis rate. The higher cost forced many companies to abandon their reliance on imports and exports.

In the meantime, the Railroads Ministry dramatically increased its revenue. This cash influx helped boost Aksenenko's political career and in May 1999 he became first deputy prime minister. Representatives of the railroad strengthened their political influence and found their way into state institutions even on the local level.

The Railroads Ministry is a monopoly in Russia since there is no other rail system. Consequently the Ministry's activities are regulated by anti-monopoly legislation. In October 1998 the anti-monopoly administration of Rostov Oblast, acting on behalf of five enterprises, accused the SKZhD of violating anti-monopoly legislation for the groundless tariff increase. The issue has been tied up in court since then. The sum SKZhD will have to pay is estimated between hundreds of thousands to several million rubles. Additionally, the anti-monopolists intend to fine the SKZhD and confiscate the profits it made from the higher tariffs. According to the newspaper *Gorod N*, this could lead to the bankruptcy of SKZhD, which is one of the largest and most successful enterprises in Rostov Oblast. - Andrei Miroshnichenko in Rostov-Na-Donu

KRASNODAR SEEKS TO INCREASE REGIONAL INVESTMENT. In September Krasnodar Krai Governor Nikolai Kondratenko appealed to the krai's residents expressing his concern that people from other regions were buying up shares in the region's enterprises. The governor's statement was rather severe, demonstrating his dissatisfaction with the worsening

situation of the krai stock market. It states, "Moscow policies brought various thieves with pockets full of money from capital offices to the Kuban to buy up stock."

In October and November the economic slogan "Kuban money should work for Kuban people" became popular in the krai. From the point of view of the Legislative Assembly and the krai administration, Krasnodar's economy suffers because its financial resources are being sucked out of the region. There are 37 branches of banks from other regions operating in the krai and they take out more money than they bring in. Krasnodar has 28 of its own banks.

Not long ago Legislative Assembly Chairman Vladimir Beketov and Chairman of the Finance Committee Aleksandr Remezkov held a meeting to address this problem, inviting leaders of commercial banks to present their views. Testimony confirmed that the Krasnodar branch of Sberbank held the greatest share of money in the region, having collected 98 percent of all financial deposits made to non-regional bank branches. Most of the money was transferred to Sberbank in Moscow with only a small amount remaining in Krasnodar for loans and investment.

The krai leadership understands that it is difficult to influence the credit and investment policies of Sberbank. However, it is seeking ways to stimulate the krai's economy. Measures discussed at the meeting included signing a special agreement before opening a branch of a bank from another region that obliges the bank to participate in the krai's economy; instituting quotas on the amount of money that can be transferred out of the krai; and establishing standards demanding that banks put up highly liquid collateral when they take money out of the krai.

The meeting gave special attention to the region's own banks. Many banks survived the 1998 financial crisis and continue to work. However, others such as Kubinbank, Kubanbank, and Krasnodarbank closed down. Of the krai's largest banks only the commercial bank Yugbank survived. Experts claim that Yugbank, which invests a lot of money into the real sector, is the most active participant in the krai's economy. However, Yugbank cannot meet all the demands for credit by itself. Therefore, the meeting proposed forming a krai investment bank with charter capital from the krai budget. The success of such a bank would depend greatly on the krai administration's financial policies. The bank should stimulate investment, guarantee credit through pledges of krai property, and establish insurance and mortgage systems. - Amir Davletov in Krasnodar

SPECIAL RESEARCH REPORT

SMOLENSK: A THRIVING CIVIC COMMUNITY?

by Christopher Marsh, Baylor University

SMOLENSK -- By many indicators, Smolensk seems to approximate the ideal of a civic community. It has many clubs and cultural associations, ranking in the top quarter of all Russian regions on a per capita basis in this regard. Local companies sponsor numerous public social and cultural activities, such as the Smolensk soccer club and a public medical facility. Moreover, Governor Aleksandr Prokhorov himself seems to epitomize a civic-minded leader. He is active in voluntary associations and clubs (he is a nationally-competitive chess player) and

is very athletic (he is also an international basketball champion). He even refers to his close circle of advisers as the "team." Civic engagement also seems to be characteristic of Smolensk's electorate, with voter turnout exceeding the country's average in every election since 1989, sometimes by as much as 15 percent. Do these facts mean that Smolensk is a civic community in Putnam's sense of the word (Robert Putnam, *Making Democracy Work*, 1993), and will these attributes facilitate Smolensk's transition to democracy?

Despite Smolensk's civic attributes, local politics in the region do not seem very democratic. The region has been a bastion of opposition to Yeltsin, the Oblast Duma is controlled by a strong bloc of Communist Party of the Russian Federation (KPRF) members, and one of the State Duma representatives from Smolensk is Anatolii Lukyanov, a 1991 coup plotter. Smolensk also strongly opposed the 1993 Constitution, and has even been plagued by political assassinations and terrorism. Moreover, with local politics run by a small group of elites known as the Komsomoltsy (see *EWI Russian Regional Report*, 8 October 1998), the situation in Smolensk seems to resemble clientelism more closely than it does a civic community.

Civic Community, Clientelism, and Democracy

The common assumption in the academic literature on the civic community is that there exists a strong causal relationship between civic engagement and democratic success. Whether it is Putnam's study of Italy in which the civic community and the social capital generated therein are found to be responsible for the democratic success of Italy's northern regions, or his work on the disappearance of social capital in America, an underlying assumption is that civic engagement leads to a more vibrant democratic polity. Why is it, then, that Smolensk seems to approximate the ideal of a civic community while lacking the democratic politics that theoretically should accompany it?

Perhaps the answer is time. A vibrant civic community does not require that democratization be successful in only a short period of time. Rather, it is likely that the citizens of a civic community will voice their demands and use their power of the ballot to register their complaints. Indeed, this seems to be the case with Smolensk.

While Smolensk has done better than the average Russian region in terms of economic stability, the previous governor, Anatolii Glushenkov, was not perceived as being very effective in running Smolensk Oblast. In fact, Glushenkov had very little public support near the end of his term and he became the target of criticism. A reading of the local press at the time found him labeled "ineffective," with one local pundit declaring that the people of Smolensk would "not remain on their knees in the service of Glushenkov." Low public support in a civically-engaged community means only one thing -- defeat at the next election.

Indeed, in the gubernatorial elections of spring 1998, the electorate was intent on getting rid of Glushenkov. In a poll conducted in April 1998 that rated the candidates, incumbent Glushenkov received only 15 percent of public support, while then Smolensk Mayor Prokhorov received an overwhelming 62 percent. A few weeks later, of course, Prokhorov won a landslide victory. The press immediately expressed its delight, referring to him as "young and energetic," and proclaiming that he "knows the situation better than all the others."

Did the citizens of Smolensk, with their vibrant associational life and strong sense of civic community, elect a democratic and civic-minded governor? While Prokhorov seems to epitomize a civic-minded leader in some regards, he also appears to be a master of patron-client politics. Not only did he move from the position of Smolensk mayor into the governor's seat, but shortly after his election one of his close proteges (Averchenkov) took over as mayor. As for Prokhorov, his electoral campaign had been financed by Alexander Shkadov, the general director of Kristall (Shkadov was assassinated in August 1998; see *EWI Russian Regional Report*, 13 August 1998). Not only was Shkadov considered Prokhorov's "political father," but the governor's wife was the chief of personnel at Kristall.

Do these facts lead to the conclusion that Smolensk is not a civic community, or that this civic community is ineffective? Despite the many attributes of Smolensk's leadership that attest to the contrary, Smolensk does appear to be a civic community, at least in comparison with other regions of Russia. For instance, there is a relatively free press with several local newspapers that keep the populace informed. One local paper, *Rabochii Put*, regularly publishes articles by a journalist named Krasnovskii which are critical of Prokhorov and his policies, despite the fact that the paper is partially owned by Kristall (see *EWI Russian Regional Report*, 22 July 1999). In a recent article on the upcoming elections, Krasnovskii warned his readers "you may unite with the devil, but who will lead whom?" Is Smolensk's civic community ineffective, then? Perhaps it is not so much that it is ineffective, but that the institutions of civil society take time to mediate the preferences of the governed. In fact, this process takes many years and several electoral competitions. The next opportunity, of course, is now upon us.

The Upcoming Duma Elections

A recent survey conducted by the Smolensk Humanitarian University's Center for Regional Research found that approximately 23 percent of the electorate supports the Communist Party, and incumbent KPRF-members Anatolii Lukyanov and Dmitrii Abramnikov are favored to win reelection to the State Duma in their respective districts. Despite the continuing strong support for the Communist Party in Smolensk, the elections are still very competitive -- another sign of a vibrant civic community. In fact, there are 9 competitors running against Lukyanov. All of the major parties have established local branches, including Otechestvo-Vsya Rossiya, Nash Dom - Rossiya (NDR), and Yabloko. Former Governor Glushenskov, who broke with the KPRF, has even joined NDR and is promoting the party regionally. No matter what the results of the elections, it appears that Smolensk is taking an active role in the democratic process.

While politics in Smolensk is as troubled as in most other Russian regions, it is also perhaps no worse. Moreover, the existence of a strong civic community that plays an active role in civil society should, in the long term, help facilitate the consolidation of democratic rule.

Christopher Marsh, Ph.D., is an assistant professor of political science at Baylor University in Waco, Texas, and is the author of *Making Russian Democracy Work: Social Capital, Economic Development, and Democratization* (Mellen Press, 2000).

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The RRR will take a short break during the next two weeks. We will resume production on 12 January. Happy Holidays!

RRR Editors

EastWest Institute
Russian Regional Report
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Federal Election Trends

Although the Communists won the largest number of seats overall in the new State Duma, their performance in the 19 December elections marks the decline of Communist power throughout the region. The Communist Party of the Russian Federation secured 35 percent of the Duma elected in 1995 and gained considerable support from the sizeable Agrarian Party faction. However, the Communists will control only 27 percent of the new body and cannot expect much support from other groups. The presence of several substantial reform-based factions will further decrease the Communists influence in the new Duma.

The strong showing the pro-Kremlin Yedinstvo movement made in the party-list voting will contribute to the strength of a strong reform faction in the new Duma. However, the movement was not nearly as successful at electing deputies in the single-seat races. As a result, regions' access to the faction will be limited and will reduce the attention that it is likely to give to their interests. Also many of the new deputies from the party list are at best unknown mid-level bureaucrats and may not turn out to be effective lawmakers.

With 6 parties passing the 5 percent barrier, Russians have learned to cast their votes more strategically. In 1995, approximately half of the votes people cast were wasted on the 39 parties that did not pass the barrier. In 1999, 81.1 percent of the votes cast in party list voting went to one of the 6 winning parties.

Otechestvo-Vsya Rossiya, which due to its success in the single-member district races, managed to create a faction in the new Duma almost equal to Yedinstvo's, is likely to split back into two movements. With Putin's popularity on the rise and Primakov's on the decline, regional leaders want to make sure that they are standing behind the right person. Instead of holding their ground to form a powerful regional movement, regional executives are once again aligning themselves with the party in power.

TABLE OF CONTENTS

1999 State Duma Results

Communist Power on the Decline, OVR Could Be the Swing
RRR Bats 600 in Predicting Single-Member Seat Results

Region-by-Region Election Analysis

Arkhangelsk: Governor Wins by Supporting Someone Else's Party
Kabardino-Balkariya: President Kokov Determines Winners
Kaliningrad: Governor-Backed Yedinstvo Does Well
Kareliya: Executive's Support for Otechestvo Doesn't Help
Kemerovo: Communist No More
Komi: Now Party of Power Controls Everything
Krasnoyarsk: Voters Turn Against Lebed
Kursk: Pro-Yedinstvo Rutskoi Does Well
Leningrad Oblast: Yedinstvo Up, Communists Down
Nenets Okrug: Despite Governor's Support, Yedinstvo Does Badly
Nizhnii Novgorod: Otechestvo Governor Fails To Win Support
Novgorod: Bad Day For Prusak
Novosibirsk: Region Remains Red
Omsk: Governor Tries To Move Against Communists
Penza: Vsya Rossiya Governor Doesn't Have Much Influence
Perm: Vsya Rossiya Governor Distances Himself from Otechestvo
Primorskii Krai: Nazdratenko, Cherepkov Battle Continues
Rostov: Chub Happy with Yedinstvo Success, KPRF Losses
St. Petersburg: Yabloko Does Surprisingly Badly
Samara: Titov's Party Wins
Sverdlovsk: Centrist Tendencies Continue
Tatarstan: Vote Count Suspiciously Slow
Tomsk: Ligachev Wins
Udmurtiya: OVR Fails Despite Executive's Support
Ulyanovsk: Goryachev Candidates Win
Volgograd: Communists Lose
Voronezh Oblast: Yedinstvo Beats Communists in Red Belt

Governors' Elections

Overview: Incumbents Generally Do Well, But Not Everywhere
Luzhkov Remains Strong in Moscow
Vologda: Incumbent Takes Commanding 83 Percent
Primorskii Krai: Nazdratenko Wins Again
Yaroslavl: Lisitsyn Wraps Up Victory
Tver: Governor Platov Faces Communist in Runoff
Tambov: Ryabov Faces Old Foe in Next Round
Orenburg: Incumbent Leading, But Facing Runoff
Novosibirsk: Mayor, Minister in Runoff, Governor Out
Moscow Oblast: Seleznev, Gromov in Runoff, Incumbent Out

Mayoral Elections

Yekaterinburg Incumbent Wins
 Kemerovo Mayor Wins
 Regional Resources
 Yedinstvo On-Line
 Anti-Semitism in Russian Regions
 Russian Political Science Association
 Advertisements
 EastWest Institute Internship Announcement
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1999 STATE DUMA RESULTS

COMMUNIST POWER ON THE DECLINE, OVR COULD BE THE SWING

by Danielle Lussier, EWI

On 19 December Russia elected its third State Duma. The Communists won the largest number of seats overall. They now control 27 percent of the new Duma, down from the 35 percent they won in the 1995 elections. Their influence will be further reduced by the absence of a sizeable Agrarian Party faction, one of their main allies in the old Duma. Yedinstvo came in second place overall with 16 percent of the seats. It did much better in the party-list voting than in the single-member districts where it only won 9 seats.

The Otechestvo-Vsya Rossiya alliance was third with 15 percent. While less popular than Yedinstvo on the party list voting, it performed much better in the districts. Soyuz pravyykh sil did much better than in 1995, lifting its representation from 2 to 6 percent. Yabloko dropped from 10 to 5 percent and Zhirinovskiy fell from 11 to 4 percent.

Overall, Russian reformers have begun to learn from the painful experiences in the past when the democratic vote was split among numerous parties, thereby giving control to the better-organized Communists. In the 1995 election, approximately half of the votes people cast were wasted on the 39 parties that did not pass the 5 percent barrier. In 1999, 81.1 percent of the votes cast in party list voting went to one of the 6 parties that passed the 5 percent barrier (see Table 1). The preliminary party-list vote is reported in Table 2.

Table 1: 1999 State Duma Election Results

Party	SMD	Party	Total (%)	Current (%)
Communists	55	67	124 (27%)	157 (35%)
Yedinstvo	9	64	73 (16%)	0
OVR	32	36	68 (15%)	0
SPS	5	24	29 (6%)	10 (2%)
Yabloko	5	17	22 (5%)	45 (10%)
Zhirinovskiy	2	17	19 (4%)	51 (11%)

NDR	8	0	8 (2%)	55 (12%)
Agrarian	2	0	2	20 (4.4%)
Nikolaev-Federov	2	0	2	
Army	2	0	2	
Pensioners	2	0	2	
ROS	2	0	1	
KRO-Boldyrev	1	0	1	5 (1.1%)
Rus. Soc. Party	1	0	1	
Spir. Heritage	1	0	1	
Independents*	87	0	87 (19%)	77 (17%)

*When an officially independent winner has a clear alliance with a specific political party or movement, we placed the deputy with the respective party.

Table 2: 1999 State Duma Party List Results

Party	Percentage
Communists	24.29
Yedinstvo	23.24
OVR	13.12
SPS	8.6
Zhirinovskiy	6.04
Yabloko	5.98

In addition to casting their votes more realistically in 1999, Russian voters also took advantage of the "against all" ballot category to voice their grievances. As *The Moscow Times* pointed out on 21 December, 3.36 percent of the vote nationwide was against all candidates, which is more than the Stalin Party (2.24 percent), Women of Russia (2.05 percent), and Our Home is Russia (1.21 percent) earned. The results in 9 single member district elections will be declared invalid since more votes went against all candidates than to any one candidate. (These districts are Primorskii Krai District 50, Kamchatka District 87, Leningrad District 99, Moscow Oblast Districts 107, 108, and 110, Sverdlovsk Districts 163 and 165, and St. Petersburg District 210). In several of these cases, voters cast their ballots against all candidates in order to protest the disqualification of specific candidates, who were usually in opposition to the regional leadership. The magnitude of the against all voting suggests that the voters saw many problems in the way the elections were conducted.

The ongoing Chechen conflict played an important role in the 1999 election by motivating the country's military families to show their support for the Chechen campaign by heading to the polls. According to the Russian Ministry of Defense, more than 90 percent of all military personnel and their families voted in the State Duma elections, *Nezavisimaya Gazeta* reported on 20 December. They numbered at least 6 million voters, or more than 10 percent of the participating electorate. Results from some military unit voting printed in *Izvestiya* on 21 December indicate that most military personnel voted for either KPRF or Yedinstvo, which, in

part, explains Yedinstvo's surprising success. As expected, polling did not take place in Chechnya's District 31.

Single-Member Districts

In Russia's single member districts, 69 incumbents were elected, as well as 21 Duma members who earned their current seats through party list voting in 1995. Thus, more than half of the deputies occupying district seats in the third Duma will be new to the body. The Communists won more single-member seats than any other party or movement with 55 (see Table 1). However, compared to the 88 seats the party earned in 1995, these results demonstrate the gradual decline of KPRF's strength in the regions. The character of KPRF's single-seat victories, which came primarily from the traditional red belt regions, further demonstrates the party's slow descent. The majority of KPRF's single-seat victories, 28, were the reelection of incumbents, suggesting that the Communists success is being further limited to the regions and districts that have a strong Communist tradition. Unlike the centrist and right wing groups, KPRF is not making progress in further penetrating the regions and gaining increasing levels of support. The party had only 18 new deputies elected. Additionally, the Communists have lost several of the allies they relied on in the previous Duma. Only two Agrarians were elected, for example.

Following KPRF, Otechestvo-Vsya Rossiya (OVR) earned the second largest number of single-member seats with 32. Unlike the Communists, the overwhelming majority of OVR-elected deputies, 23, are new to the Duma. OVR's success in the single-member districts is due in large part to the active support specific influential regional executives gave to the movement. Moscow City, headed by Otechestvo leader Yuri Luzhkov, provided OVR with 10 seats (the city has 15 districts overall). Tatarstan, ruled by Vsya-Rossiya co-founder Mintimer Shaimiev, contributed 3 out of a possible 5 seats. Bashkortostan delivered 4 of its 6 seats, primarily due to the controversial vocal endorsement of President Murtaza Rakhimov.

OVR's success in the single member districts, coupled with the 33 seats it earned in party-list voting, could give the movement considerable clout in the Duma. While Yedinstvo's 23.24 percent showing in the party-list polls was quite strong, the movement had a rather paltry showing in the single-member districts, where it earned only 9 seats, all except one of which went to newcomers. Collectively Yedinstvo has 73 seats (16 percent) in the new Duma. This is only a slight edge over OVR, which has 68 seats (15 percent). Even if Yedinstvo does form a coalition with Soyuz pravyykh sil (SPS), which earned 17 party-list and 5 single-member seats (6 percent), and the remainder of Our Home is Russia (8 single member seats--2 percent) its collective strength will not reach that of the Communists.

This situation places OVR in an important position. An OVR-Communist coalition would prove very challenging for a Yedinstvo-based pro-government faction. This is particularly true in the run-up to the presidential election. Although Prime Minister Vladimir Putin's popularity is at an all-time high due to the success of the Chechen campaign, there are still several more months before the presidential vote takes place. It is highly unlikely that the prime minister will maintain such a popular standing as the war continues to drag on. A

Communist-OVR effort to elect former Prime Minister Yevgenii Primakov would be an extremely powerful force to counter the Kremlin.

However, the chances of OVR remaining a single bloc in the new Duma are rather slim. In spite of its relative success, the movement did not gain the overwhelming support it had hoped for. The relationship between Moscow Mayor Yuri Luzhkov's Otechestvo movement and the regionally-based Vsy Rossiya had its problems from the start. However, the two blocs recognized that it was necessary to work together in order to pass the 5 percent barrier. When the groups first contemplated merging, Luzhkov was at the top of his political game and was being hailed as the country's next president. It seemed logical for regional leaders to befriend him, especially as the Kremlin increasingly lost its grip over the regions. However, Yedinstvo's strength and Putin's popularity have caused Vsy Rossiya's founders to rethink their stance. If Yeltsin's successor is indeed someone from the Kremlin's current ranks, then regional leaders cannot waste any time paying court to the new president.

The 87 independents without any clear political leaning will also play an influential role in the new Duma. Twenty-three of the independents elected are incumbents and 3 hold seats from party list voting in 1995. With no one party holding more than 27 percent of the power in the Duma and several parties and blocs maintaining sizable factions, the new Duma provides considerable opportunity for coalition building.

As *Nezavisimaya Gazeta* pointed out on 20 December, one of the less obvious--though nevertheless significant--groups in the new Duma will be made up of energy giants. Nearly all of the major oil and gas companies managed to elect a representative to the Duma. ONAKO President Rem Khramov won his seat from Orenburg's District 131. Sibneft head Roman Abramovich swept up Chukotka's seat. Former Transneft President Dmitrii Savelev was victorious in Nizhnii Novgorod's District 122 and Chairman of Gazprom Board of Directors Viktor Chernomyrdin won in Yamal-Nenets. Additionally, 4 representatives from Yukos, 2 from LUKoil, and one each from the Tyumen Oil Company (TNK), Surgutneftegaz, Slavneft, and Rosneft were elected. Such a strong energy lobby could have considerable impact in the Duma, which currently has no strong representatives from oil enterprises among its ranks.

The Role of the Governors

In addition to their participation in party building, regional executives had a clear impact on the election results through the influence they exerted over their constituents. Of the 152 districts in which the RRR was able to identify the candidates supported by the governor, the preferred candidate won in 89 (59 percent). There is almost a direct correlation between the success of a governor's candidate and the strength of the governor in the region. Governor's candidates were particularly successful in Bashkortostan, Tatarstan, Krasnodar, Kemerovo, Kirov, Perm, Sverdlovsk, Tambov, Tula, Tyumen, Ulyanovsk, and Moscow City. A governor's support was less important in regions where the executive is not as powerful.

The support that regional executives offered to political blocs and parties proved a highly influential tool on the electorate in their specific regions. Yedinstvo led in 16 of the 25 regions in which the governor backed the pro-Kremlin movement. Of the 9 regions where

Yedinstvo did not lead, it came in second behind KPRF in all except one region, Dagestan, where the regional executive, Magomedali Magomedov was not officially supporting the movement. An interesting aspect of Yedinstvo's success in these specific regions is that their respective regional executives are generally not among the most powerful or influential.

Most of the regional executives supporting OVR were not as successful at influencing the voters in their regions. In the 22 regions where OVR had the support of the regional executive, the bloc came in first only in 6, including Moscow City and Tatarstan, which are home to two of the bloc's founders. OVR's highest showing was in Ingushetiya, where it earned 87.98 percent of the vote. This seems particularly suspect as the OVR candidate in the Ingushetiya single seat race, Alikhan Amirkhanov, was not competitive. Instead LDPR State Duma Deputy Mikhail Gutseriev was elected, winning more than 50 percent of the vote. It seems odd that such disparate results could come from the same region.

Soyuz pravyykh sil had a strong showing in Samara Oblast, which is ruled by one of the movement's coordinators, Konstantin Titov, pulling in 22 percent of the vote to come behind the Communists.

The absence of support from any regional executives was a clear impediment for Yabloko. Although the movement managed to squeak past the 5 percent barrier with 5.98 percent of the vote, its 22-person faction in the new Duma will be less than half the current size. Yabloko won only 5 single member seats, a considerable drop from the 14 it earned in 1995. The party won only 3 seats in St. Petersburg, where it had formerly dominated the political scene.

Nevertheless, though the support of regional leaders proved key in 1999, the support of the Kremlin continues to remain an important factor in a successful campaign. Just four months ago the Yedinstvo movement did not exist, yet now it has amassed the second largest Duma faction following the Communists. Though Russians have learned how to make their vote count, many are still waiting for the top authority to tell them who to make it work for.

RRR PREDICTION RESULTS

RRR BATS 600 IN PREDICTING SINGLE-MEMBER SEAT RESULTS. Now that the preliminary State Duma results for 215 of the 225 single member districts are in, it is possible to assess our success at predicting the races. Nine of the district votes were declared invalid because "against all" was the top vote getter and elections were not held in Chechnya.

The RRR correctly predicted 60 percent of the races. It seems that our combination of methodological tools was effective, but not always applied in the right order. Certain factors, such as the backing of the regional executive, have greater importance in some regions than others. For example, the support of a strong leader like Moscow Mayor Yurii Luzhkov had a greater impact on the candidates he supported in Moscow City than the endorsement of Moscow Oblast Governor Anatolii Tyazhlov had in his region. Of the 152 districts in which we were able to identify the candidates supported by the governor, the preferred candidate won in 89.

Likewise, Communist incumbents had a better chance of being reelected than incumbents from other parties. Sixty-nine of the 146 incumbents running held on to their seats.

In all cases we deferred to the opinions of our regional correspondents, who managed to deliver correct results in 65 of the 103 districts they covered.

Nearly all nationally prominent politicians seeking election won, such as Boris Berezovskii, Victor Chernomyrdin, and Sergei Stepashin.

Though it continues to hold surprises, Russian politics is becoming more predictable.

*** A comparison of the single seat race results with the RRR predictions will be available on the RRR homepage at <http://www.iew.org/rrrabout.nsf> on Thursday afternoon (New York time). This list also includes all of the governors' preferences that we were able to identify. ***

REGION-BY-REGION ELECTION ANALYSIS

ARKHANGELSK: GOVERNOR WINS BY SUPPORTING SOMEONE ELSE'S PARTY. With the support of Arkhangelsk Governor Anatolii Yefremov, Yedinstvo scored first place in the region, earning 18.37 percent of the vote. KPRF came in second with 15.95 percent, followed by Soyuz pravyykh sil, with 14 percent. Yefremov's candidate in District 59, Aleksandr Piskunov, won one of the oblast's two single-mandate seats with 23.3 percent of the vote. Yefremov backed Piskunov even though he was nominated by Yedinstvo's rival bloc, OVR. Incumbent KPRF State Duma Deputy Vasilii Grishin came in second with 15.75 percent of the vote.

The race in Arkhangelsk District 60 has produced some rather controversial results. Mirnyi Mayor Aleksandr Korygin came in slightly behind Vitalii Predybaiov, with both independent candidates pulling in just over 15 percent of the vote. Korygin announced that he was filing a suit with the courts claiming that he was the legitimate winner. As it is, the small difference between the two candidates' results could lead to new elections. - Tatyana Barandova in Arkhangelsk

KABARDINO-BALKARIYA: PRESIDENT KOKOV DETERMINES WINNERS. The 1999 elections in Kabardino-Balkariya show that there are significant changes taking place in the republic. In the 1993 elections, the main issue was the ethnic representation of the republic. There are two main ethnic groups in this North Caucasus region, but only one State Duma seat. The republican elite even asked the federal government to give the republic two seats to solve the problem. In that campaign, the programs of the nine candidates discussed economic and political issues, but also included ethnic questions.

The 1995 elections took place against a more peaceful background. The main question was not the State Duma vote, but the first elections for local governments. They were based on party lists, adding to the tension of the battle. In the 1995 Duma campaign, the republican elite backed Vladimir Sokhov and he easily won the race, replacing Khachis Karmokov. In contrast to the 1993 elections, the republic also won representation by two party-list candidates, Mukharbi Ulbashev (NDR) and Vladimir Temirzhanov (KPRF).

In the 1999 elections, the battle in the republic's single-member State Duma District 13 was the most prominent race of the year. The distinguishing characteristic was the appearance of a new player on the stage, Ruslan Teuvazhukov, the editor of the newspaper *Iz ruk v ruki*.

He and his team demonstrated a new way of campaigning - politely, but independent of the republican elite. The main battle was between Teuvazhukov and Sokhov, who was backed by republican President Valerii Kokov for a second term. The other two candidates did not play a decisive role.

Teuvazhukov focused on the republic's problems, but did not make any promises nor pledge to create a better tomorrow. In contrast, Sokhov created the illusion of a brighter future and stressed his past experience in the State Duma, connections, and abilities. Despite the intensity of battle, the outcome had been decided in advance in favor of the incumbent.

In Kabardino-Balkariya, the opinion of President Kokov is decisive. Sokhov stressed Kokov's support repeatedly in his campaign advertisements. In the north Caucasus, respect for the opinion of elders is extremely important. No less important for Sokhov was the support of the most powerful clans and families in the republic, several of whom published appeals to support him in the press.

As they did in 1993 and 1995, the election results in 1999 once again demonstrated Kokov's authority in the region. In 1993, the republican leadership supported the Party of Russian Unity and Concord (PRES), and it won the largest number of votes. In 1995, the leadership backed Our Home is Russia (NDR), and in 1999, Otechestvo-Vsya Rossiya, with the same results. OVR won 35.24 percent of the vote, followed by the Communists, with 23 percent, Yedinstvo, 20, and NDR, 10. Sokhov won the single-mandate seat with 72 percent of the vote. Teuvazhukov scored just 20 percent. The republic will have at least two and possibly three representatives from the party lists. No major changes occurred in the electorate: the Communists still have their constant supporters, the other parties' chances depend on how much support they have from the republican leadership and how closely they mirror the opinion of the population. - Svetlana Belaya in Nalchik

KALININGRAD: GOVERNOR-BACKED YEDINSTVO DOES WELL.

In Kaliningrad, Governor Leonid Gorbenko backed Yedinstvo and that party led the region by a large margin, taking 33.45 percent of the vote, much better than in the country as a whole. The Communists came in second with only 19.7 percent. Observers believe that the results show that the Communists are continuing to lose their popularity in the region. In the 1995 elections, they won twice as much support. In the region's single-member district, independent incumbent Duma member Vladimir Nikitin won. Gorbenko had supported Yedinstvo's candidate Vitalii Lednik. - Yekaterina Vasileva in Kaliningrad

KARELIYA: EXECUTIVE'S SUPPORT FOR OTECHESTVO DOESN'T HELP.

On the eve of the elections, Kareliya Prime Minister Sergei Katanandov issued a statement that strongly supported Otechestvo-Vsya Rossiya. He told the voters, "By voting for Otechestvo-Vsya Rossiya you are voting for Sergei Katanandov, for his actions and plans, for the blossoming of Kareliya." He stressed that he had included his name on the party list not because he wanted to take a seat in the State Duma, but because he wanted to support worthy people who could help implement his plans.

Voters did not follow Katanandov's lead, however, and OVR came in fifth place in the republic, winning only 8.76 percent. Yedinstvo led with a whopping 31 percent, followed by the

Communists (14 percent), Soyuz pravyykh sil (10), and Yabloko (10). Despite this poor showing, Otechestvo's Valentina Pivnenko was victorious in the republic's single-member district.

After the election, Katanandov did not really comment on the loss of his party, merely pointing out that since the turn out was relatively high in the republic, the results were "objective." OVR's poor showing will hurt Katanandov's standing in the republic. He was elected in 1998 by a small margin. The party's failure came despite the fact that the republican administration had used many of its resources to support OVR, including an all out media blitz during the last six weeks of the campaign. If Katanandov does not do a better job of picking a candidate in the presidential elections, he will likely lose the next executive elections in Kareliya. In the wake of this campaign, he will have to replace his political advisors. - Boris Matveev in Petrozavodsk

KEMEROVO: COMMUNIST NO MORE. For the first time, the Communists did not win in Kemerovo Oblast. Yedinstvo took about 34 percent of the vote, while the Communists settled for 29 percent. In 1995, the Communists won 45 percent. Governor Aman Tuleev, who always seems to be in two places at once, ran on the Communist Party list (no. 4 on the federal list) and simultaneously supported the anti-Communist and pro-Kremlin Yedinstvo. Tuleev's candidates won in three of the oblast's four single-member districts. Two of the winners represented Yedinstvo (district no. 88, 89) and one the Communists (91). In District 90 Tuleev supported State Duma Deputy Viktor Medikov (a member of the Russian Regions faction who ran as an independent), who won only 8 percent of the vote. The winner was Sergei Neverov, chairman of the Council of Representatives of Territorial Organizations of Rosugleprof, the region's coal trade unions, who also ran as an independent. - Irina Maslennikova in Novosibirsk

KOMI: NOW PARTY OF POWER CONTROLS EVERYTHING. In Komi's District 17, Valerii Markov, who had the strong support of republican head Yurii Spiridonov, won as expected, with 25 percent of the vote. Markov is the deputy chairman of the Komi legislature and the chairman of the Congress of Komi People, the Komi national movement. He combined the backing of the republican authorities with the ability to play the national card. His seven opponents did not come close. After the republican electoral committee refused to register the two most likely contenders, incumbent State Duma member Rita Chistokhodova and Chairwoman of the republican Council of Soldiers' Mothers Lyudmila Zavyalov, the authorities did not have any difficulty assuring the victory of their candidate.

Now Spiridonov has placed allies in all positions that matter in the republic. As a result of the last elections to the republican legislature, it came under the control of the executive, who also controls the republic's local governments. Until now, Duma Deputy Chistokhodova was the only opposition to Spiridonov in the region and she criticized him openly. The republic's new Duma member from the Yedinstvo's party list is Deputy Health Minister Yevgenii Tomov and he also will toe Spiridonov's line.

On the party list voting, the preferences of the republic's population have changed significantly. In the last two Duma elections, the population supported Vladimir Zhirinovskiy's Liberal Democratic Party of Russia and the Communists never won a significant number of

votes. Now Zhirinovskiy's party came in fifth place (7.4 percent), down from first place in 1995, when it won 17.51 percent. Yedinstvo won with 31.4 percent, while the Communists took a surprising 17 percent for second place. The Communists were able to capture the protest vote, which is very strong now. The number of voters marking their ballots against all also was very high, at 13 percent. OVR and NDR, whose campaigns were run by two first deputy republican heads, both did poorly. Spiridonov had at least formally backed Otechestvo. - Yurii Shabaev in Syktyvkar

KRASNOYARSK: VOTERS TURN AGAINST LEBED. The voters in Krasnoyarsk Krai used the region's single seat races to vote against Governor Aleksandr Lebed on 19 December. Former Krasnoyarsk Krai Governor Valerii Zubov, whom Lebed defeated in last year's gubernatorial election, was elected in District 48 with 33.3 percent of the vote. Lebed supported KPRF candidate Yurii Abakumov, who earned 19.82 percent.

The race in District 45 was even more controversial. The ultimate victor was former Russian Minister of Fuel and Energy Sergei Generalov, an ally of Anatolii Chubais who won 23.22 percent of the vote. The results from this race were nearly nullified as 23.20 percent of the votes were against all candidates. The small differential will likely inspire protests that could cause the vote to be overturned. Voters in this district were protesting against the disqualification of Krasnoyarsk Aluminum Factory Board of Directors' Chairman Anatolii Bykov, a Lebed foe who wanted to compete for the seat in his home district. Though Bykov was not permitted to seek election, Aleksandr Klyukin, chairman of the television/radio station TVK-6, of which Bykov owns a controlling stake, was elected in District 46 with 24.89 percent of the vote.

Lebed's only real success was in District 47. He supported KPRF State Duma Deputy Petr Romanov, who won 37.26 percent of the vote. In party list voting, Yedinstvo placed first in the region with 27.62 percent of the vote, followed by KPRF with 26.07 percent. - Pavel Avramov in Krasnoyarsk

KURSK: PRO-YEDINSTVO RUTSKOI DOES WELL. In Kursk Oblast, Governor Aleksandr Rutskoii backed Yedinstvo and that party won 31.45 percent of the vote, just short of the front-running Communists who took 31.95 percent. Rutskoii's candidate won in one of the region's two single-member districts, but his pick lost in the other.

In District 96, Oblast Communist Party Secretary Nikolai Ivanov defeated Rutskoii's candidate Deputy Governor for relations with the Oblast Duma and local governments Aleksandr Fedulov. Ivanov ran a very modest campaign, refusing to participate in the televised debates and not buying any commercials. He only produced two small brochures. According to official data published in *Kurskaya Pravda*, he spent a paltry \$2,000, much less than the other candidates in the race.

Fedulov had the support of Yedinstvo and the governor. According to official figures, he spent \$33,000 on his campaign, more than any other candidate. His campaign produced numerous flyers and newspapers and he was constantly on the air. The gist of his campaign was to associate himself with such Yedinstvo leaders as Putin and Shoigu.

In District 97, Rutskoi's candidate Aleksandr Chetverikov won. He is the owner of Agrokholding, which employs 11,000 workers. The enterprise is thriving and the workers are paid good salaries on time. His campaign stressed the need to support agriculture and domestic production. His supporters allegedly distributed goods produced by the firm to win voter support. - Sergei Sarychev in Kursk

LENINGRAD OBLAST: YEDINSTVO UP, COMMUNISTS DOWN. The decisive factor in the Leningrad Oblast elections was the support of new elected Governor Valerii Serdyukov for Yedinstvo, which won 29.75 percent of the party list vote in the oblast. The winners of the 1995 elections, the Communists, not only took second place with 17.61 percent, but they lost all three of the region's single-mandate districts. The winner in district 98 was Kirishii Oil Refinery candidate, Oblast Legislative Assembly member Aleksandr Shimanov, who was supported by the Party of Pensioners and Yabloko. Shimanov had run for the governorship in the summer, but withdrew three days before election day. Communist Yurii Sevenard took second and former Governor Aleksandr Belyakov, backed by Yedinstvo and the governor, took third. Both will enter the Duma on the party lists of their respective parties.

Yedinstvo candidate Nikolai Botka, a member of the oblast legislature won in district 100 with 27.47 percent. Incumbent Communist deputy Viktor Vorogushin came in second with only 13.26 percent. The elections in district 99 were invalid because a plurality voted against all. - Daniil Tsygankov in St. Petersburg

NENETS AUTONOMOUS OKRUG: DESPITE GOVERNOR'S SUPPORT, YEDINSTVO DOES BADLY. Nenets Autonomous Okrug Governor Vladimir Butov's efforts to support the Yedinstvo party and candidate Andrei Vavilov, the former deputy Russian finance minister, both ended badly. In the party list voting, Yedinstvo was in first place, but it took only 19 percent of the vote, less than the national average and well below the figures scored by other pro-Yedinstvo governors. State Duma Deputy Chairman Artur Chilingarov, who was supported by OVR, won the single-member district race.

In the last stage of the race, Governor Butov began to openly support Vavilov. First Deputy Governor Yurii Rodionovskii withdrew from the race on 14 December and called on his supporters to back Vavilov. Chilingarov quickly took action and on 15 December three candidates who had no chance of winning also withdrew, but in favor of Chilingarov (Olga Cheburina, Vladimir Kislyakov, and Nikolai Ovchinnikov).

According to the officially published data, Vavilov raised 2.1 million rubles for his campaign (*Nyaryana vynder*, 16 December). Chilingarov collected 307,500 rubles, including 300,000 from a firm connected to LUKoil. The other candidates did not raise more than 20,000-30,000 rubles.

LUKoil President Vagit Alekperov's visit to the okrug on 9 December played a major role in the outcome, giving Chilingarov a boost. During meetings with voters and in television appearances, Alekperov promised that LUKoil would dramatically increase its work in the region, creating thousands of jobs and providing funds for the development of social infrastructure by tapping the region's enormous oil reserves. He presented Chilingarov as a future Duma member who would lobby LUKoil's interests. Alekperov sharply criticized

Governor Butov, with whom he has not been able to come to agreement on developing the region's deposits.

Throughout the month of December the newspaper *Nyaryana vynder* was filled with glowing accounts of Chilingarov's work and letters from residents thanking him for his efforts. At the same time, the paper published articles accusing Vavilov of plundering federal funds and running a poor campaign. The pro-Butov Zapolyare television station broadcast reports sharply critical of Chilingarov. The station is connected to Butov through a business deal: they are both co-founders of one of the region's leading firms, Ser-vark.

In contrast to Chilingarov's ties with LUKoil, Vavilov advertised that the little-known Komi company Severnaya neftyanaya kompaniya would help develop the region. However, on 15 December *Nyaryana vynder* and the private TV station Alt reported that LUKoil had bought a controlling stake in the Komi company and Vavilov had no connection to it. - Yevgenii Kiselev in Naryan-Mar

NIZHNI NOVGOROD: OTECHESTVO GOVERNOR FAILS TO WIN SUPPORT FOR BLOC. In spite of Nizhnii Novgorod Governor Ivan Sklyarov's enthusiastic support for OVR, the Communists handily beat the left-center bloc in the oblast, earning 23.4 percent. This was increase from 1995 when the KPRF pulled in 18 percent of the vote. Yedinstvo came in second with 19.3 percent, and Soyuz pravyykh sil took the third spot with 17.85 percent. OVR had only a weak showing of 7.31 percent. Sklyarov made a tactical error by supporting OVR. Nizhnii Novgorod voters clearly demonstrated their mistrust for Moscow Mayor Yurii Luzhkov, who has failed to deliver on many of the promises he has made to the region. Their disenchantment with Sklyarov's alliance with the Moscow mayor and the governor's inability to keep up with the reform pace started by his predecessor, Boris Nemtsov was reflected in the 19 December voting.

Fully aware of Nemtsov's perpetual popularity in the region, Sklyarov opted not to offer his endorsement to any specific candidate in District 117, where Nemtsov was running. As Nemtsov's victory seemed inevitable, Sklyarov chose not to openly challenge his popularity by supporting a losing candidate. As expected, Nemtsov took the seat with 39.29 percent of the vote. However, former GAZ Director Boris Vidyaev made the race very close, pulling in 37.98 percent of the vote.

The race in District 122 brought former Transneft head Dmitrii Savelev to the Duma. Savelev earned 30 percent of the vote. Although close to former Prime Minister Sergei Kirienko, Savelev is entering the Duma as an independent. - Yurii Rodygin in Nizhnii Novgorod

NOVGOROD: BAD DAY FOR PRUSAK. In spite of Novgorod Governor Mikhail Prusak's overwhelming reelection in September (see *EWI Russian Regional Report*, 16 September) with 91.6 percent of the vote, the region's support for the Prusak-backed Our Home is Russia movement in the 19 December State Duma election was a meager 6 percent. Sixty-four percent of Novgorod's voters participated in the election, more than in any election in the past ten years. They choose to back the pro-Kremlin Yedinstvo movement, which earned 32 percent of the vote. KPRF came in second with 19 percent, followed by Zhirinovskiy's Bloc, Soyuz pravyykh sil, and Yabloko, who each earned 7 percent of the vote.

Prusak's candidate for Novgorod's single seat race, State Duma Deputy Gennadii Burbulis, was defeated by incumbent State Duma Deputy Yevgenii Zelenov, who gained 32 percent of the vote to Burbulis's 25 percent. When asked how he would work with the oblast administration given their arguments during the campaign, Zelenov stated that it would be foolish to stand in opposition to Prusak and is willing to work with the governor.

Zelenov further stated that he plans to remain independent and work for the interests of Novgorod. He did, however, speak in favor of both Yedinstvo and Otechestvo - Vsya Rossiya. - Ivan Novgorodskii in Velikii Novgorod

NOVOSIBIRSK: REGION REMAINS RED. The Communists led Novosibirsk Oblast with 28 percent of the vote, while Yedinstvo took second with 20 percent. Yabloko had a surprisingly strong 10 percent showing. Of the region's four single-member districts, Yedinstvo and the Communists each won two. Governor Vitalii Mukha failed to win a new term (see related article in this issue). - Irina Maslennikova in Novosibirsk

OMSK: GOVERNOR TRIES TO MOVE AGAINST COMMUNISTS. In Omsk, the Communists led with 30 percent of vote, followed by Yedinstvo at 19 percent. Yedinstvo candidates won two of the region's three single-member seats, while a Communist incumbent took the third.

In the race Omsk Governor Leonid Polezhaev supported Yedinstvo, joining the pro-Kremlin party after leaving Vsya Rossiya. In his post election commentary, he tried to present the results as a clear loss for the Communists. He also sought to use the results to gain the upper hand over the regional legislature. He said that the results "made clear the sympathies of the voters and of all Russians. One direction was chosen, and the people expressed a desire to achieve unity in all spheres of political and economic life. The 'no' that the voters gave to the left extremists, along with their ideology, morals, which are so prominent among many deputies of the oblast's Legislative Assembly, should encourage constructive, pragmatic work" leading to economic development and political stability. Polezhaev made the comments while speaking to the regional assembly.

Of course, members of the Omsk Legislative Assembly did not agree. Deputy A. Alekhin said that the vote results did not allow the governor to denounce the Communists as extremists. He accused the oblast executive of using his resources to support his candidates in the region. "Therefore I direct attention to the inappropriate behavior of the governor," Alekhin said.

Many local TV broadcasters, such as STV-3 and 12 Kanal, noted electoral law violations by Governor Polezhaev. On the Friday before the vote, Polezhaev illegally campaigned for Yedinstvo and the candidacies of Aleksandr Podgurskii and Aleksandr Vereteno in the single-member districts. Both of those candidates won and Vereteno even defeated well-know nationalist Duma member Sergei Baburin. Communist incumbent Oleg Smolin won in Omsk's other district. With Yedinstvo's second place finish, Polezhaev dubbed his campaign efforts a success. - Marina Chukhlomina in Omsk

PENZA: VSYA ROSSIYA GOVERNOR DOESN'T HAVE MUCH INFLUENCE.

Despite the support of Penza Governor Vasilii Bochkarev, OVR placed third in the region with about 8 percent of the vote, following Yedinstvo and the Communists, which both took about 29 percent. In the single-member districts, Bochkarev's choice, Igor Rudenskii, won in district 135, but not in district 136. There incumbent Viktor Ilyukhin was victorious. He ran on the party ticket of the movement "In support of the army, defense industry, and military science," but remains a member of the Communist Party of the Russian Federation, whose charter allows its members to participate in other organizations.

In the Duma, Ilyukhin is chairman of the Security Committee and has been instrumental in adopting many of the laws that govern Russia's security agencies, including the special services, tax police, and procurator. He also participated in adopting laws on terrorism and the new criminal code and is working for legislation on customs duties, corruption and organized crime.

At a 7 December press conference Ilyukhin essentially threatened to carry out a coup. He announced that "today the army is in condition to impose order. If they do not let the armed forces impose order on the North Caucasus, they will come to Moscow and impose order there." He wants the Russian troops to continue fighting in Chechnya and opposes any negotiations.

He believes that the main job of the new State Duma is to protect the Russian state. He wants to improve legislation to increase pensions, salaries, and benefits. He also wants a new labor and criminal code. Additionally, he has declared that "we should not sell land or allow swindlers to use our natural resources."

One of the main points of the In Support of the Army movement is to crack down on the "arbitrary rule" of the governors. The movement declares that the governors should be appointed, either by the Russian government or regional legislatures, and held accountable for their actions. It should be possible to remove them from office if they adopt inappropriate decisions and appoint new ones in their place. Ilyukhin supports increasing the independence of the country's procurators. - Yelena Zateeva in Penza

PERM: VSYA ROSSIYA GOVERNOR DISTANCES HIMSELF FROM

OTECHESTVO. There were few electoral surprises in Perm on 19 December. Yedinstvo (20 percent) gathered more votes than any other movement, followed by Soyuz pravyykh sil (15). Soyuz pravyykh sil earned the top spot in the city of Perm. Although Perm Governor Gennadii Igumnov is a member of Vsy Rossiya, he did not necessarily support OVR candidates in all of the single-member district races. This strategy worked to his advantage since his candidates were victorious in 3 of the region's 4 electoral districts. Overall, only 10 percent of Perm's voters backed OVR.

OVR candidate in District 138, Sergei Chikulaev, downplayed his relationship with the bloc out of fear that his affiliation with the group could impede his chances of winning election. Chikulaev's team constantly repeated that he was a member of Vsy Rossiya, having no relationship whatsoever to Otechestvo, which was unpopular in Perm. This strategy proved effective and he emerged victorious with the support of the governor.

Ironically, the victor in District 139, Pavel Anokhin, had tried to secure support from Vsyá Rossiya for his electoral bid, but the bloc's regional leadership decided to back former Perm Legislative Assembly Chairman Yevgenii Sapiro in that district. However, Anokhin did win Igumnov's support since the governor decided not to go along with his party's decision. The campaign in this district was particularly dirty and Sapiro ultimately came in third.

In District 140 there was no OVR candidate. The winner was Soyuz pravyykh sil Viktor Pokhmelkin, another Igumnov ally.

District 137 marked the only surprise in the polling with the victory of oblast Pension Manager Valentina Savostyanova, who won 20.1 percent of the vote outdoing OVR candidate Gennadii Belkin, who had the support of the governor and had been favored to win. Savostyanova was sponsored by the Party of Pensioners and leaned toward Yedinstvo, although she ran as an independent. - Nikolai Agafonov in Perm

PRIMORSKII KRAI: NAZDRATENKO, CHEREPKOV BATTLE CONTINUES.

Given the popularity and influence that Primorskii Krai Governor Yevgenii Nazdratenko commands in his region, it is no surprise that the governor-supported Yedinstvo movement earned the highest number of votes in the krai at 26.94 percent. KPRF came in second with 23.59 percent and Zhirinovskiy's Bloc was third with 9.96 percent.

The region's media undoubtedly played a role in the election results. OVR had been extremely popular in the region, and Nazdratenko had come very close to joining the movement at Yevgenii Primakov's invitation only a few months ago (see *EWI Russian Regional Report*, 26 August). However, once Nazdratenko went with Yedinstvo, Vladivostok's two television stations heavily criticized OVR, causing its rating to plummet. OVR ended up receiving only 5.58 percent of the vote in the region. Nazdratenko's candidates won one out of three of the single-member district races.

As expected, the races in Primorskii Krai's single-member districts were full of scandal. Only in District 51, where incumbent KPRF State Duma Deputy Speaker Svetlana Goryacheva easily won reelection with 50.6 percent of the vote, did the polling take place smoothly. Here the governor had no choice but to go along with Goryacheva because of her popularity in the region. In District 49 it was a struggle for every vote. In the end, head of the Primorskii Krai Communists, State Duma Deputy Vladimir Grishukov, edged past Yurii Serebryakov, winning 25.02 percent to Serebryakov's 24.71 percent. In this race, Nazdratenko had supported Serebryakov.

The results in District 50 were declared invalid as 18.73 percent of the vote went against all candidates, outdoing all contenders in the field. The result in this district was not overly surprising since the Central Electoral Commission disqualified the leading candidate, former Vladivostok Mayor Viktor Cherepkov, from running only two days before the election. Cherepkov has long been Nazdratenko's number one foe. However, it is rather ironic that while the governor's opposition stood in favor of Cherepkov in District 50, Nazdratenko himself won reelection the same day with more than 60 percent of the vote. - Yevgenii Popravko in Vladivostok

ROSTOV: CHUB HAPPY WITH YEDINSTVO SUCCESS, KPRF LOSSES. For the first time in Rostov Oblast, the Communists have lost to another party. Yedinstvo won 31 percent of the votes, edging the Communists, who took 28.5 percent. Although Yedinstvo did better in the region than it did nationally, the Communists improved their showing over 1995, when they won 26.99 percent. Thus Yedinstvo did not eat into the Communist electorate. Yabloko is traditionally strong in the region, and won 7.25 percent, better than in the country as a whole, but much less than the 14.11 percent the party captured in 1995. OVR took third place with 7.44 percent.

Traditionally Rostov Governor Vladimir Chub has not joined a political party. Once in 1997, he joined the NDR Political Council, but then tried to reduce his ties to the party by foisting off his deputies on it. In general, the governor had good relations with practically all influential parties except the Communists.

However, if Otechestvo was the favorite in the summer, by one month before the election, the oblast elite had decided in favor of Yedinstvo and Putin. They created a network of local Yedinstvo headquarters and the oblast bureaucrats succeeded in working to support Shoigu's party. According to some reports civil servants were asked to call in on Sunday and report that they had voted. While it was impossible to monitor whom they had really voted for, their superiors assumed that they would follow recommendations from above.

The local Yabloko sensed that the national party would not be successful, and Rostov Yabloko leader Mikhail Yemelyanov tried to separate his branch from the national party line. Unlike Yavlinskii, he supported the government's campaign against Chechnya gaining the backing of Sergei Stepashin who joined Yabloko after being dismissed as prime minister. In the wake of the elections, the desire for autonomy in Yabloko's Rostov branch is likely to increase. The positions Yavlinskii is supporting on the federal level no longer make sense in Rostov. Yemelyanov assured himself a place in the Duma by winning in District 146.

Otechestvo basically ran its campaign by inertia. When the party was created it inspired great excitement among the regional bureaucrats. However, it is clear that the administration did not use any of its resources to the support the party's campaign.

The Communist campaign was little different than in the past. The oblast administration always opposed them, but the comrades could count on a strongly disciplined electorate. In the region's seven single-member districts, the leftists only won two (no. 144, 145), down from four in 1995.

Chub uncharacteristically called a press conference on Monday afternoon to discuss the results of the voting. He was cheerful and said that the results allow him to look toward future cooperation with the new deputies from the region. The governor was clearly happy with the defeat of the Communists in the single-member districts. As far as he is concerned, he can work with deputies from any party but the Communists. He was also delighted that Yedinstvo did much better in Rostov than in the country as a whole. Chub can now use these results to extract benefits from the Kremlin and government. - Andrei Miroshnichenko in Rostov-na-Donu

ST. PETERSBURG: YABLOKO DOES SURPRISINGLY BADLY. The main surprise in the St. Petersburg elections was the poor showing of Yabloko. Just a week before the election, it seemed that Yabloko would benefit the most from the decision to cancel Governor Vladimir

Yakovlev's attempt to move up the gubernatorial elections from spring 2000 to 19 December. Yabloko had been the most ardent critic of this move. However last minute events turned everything upside down. Putin made clear his support for Shoigu's Yedinstvo and Kirienko's Soyuz pravyykh sil and Yakovlev launched a powerful campaign against Yabloko, accusing it of being unpatriotic for not supporting the government in Chechnya. As a result, Yabloko dropped to fifth place in the city. Yedinstvo won taking 17.56 percent (less than the national 23.88), SPS took second with 17.3 percent (against 8.63 percent nationally), followed by OVR, 15.6, the Communists, 14.1, and then Yabloko with 11.1 percent. In 1995, Yabloko led with 16.03 percent.

Because of their personal popularity, three Yabloko candidates won in the city's eight single-member districts. SPS and OVR won two mandates each. In district 210 the elections were declared invalid and will be repeated in four months. Apparently the voters in this district were unhappy that there was no Yedinstvo candidate and sought to have new elections so that they could support a new candidate.

The second interesting feature of the St. Petersburg elections was the third place finish of OVR in a region where the governor strongly supported it. Yakovlev clearly does not have the same powerful influence over his region as the leaders of Moscow, Tatarstan, Bashkortostan or Ingushetiya. Immediately after the elections, Yakovlev announced that the union between Otechestvo and Vsyaya Rossiya was only in effect until 20 December. Now that Yedinstvo, SPS, and Yabloko could guarantee the victory of a candidate they collectively support in the gubernatorial elections (which will be held in the first half of next year), Yakovlev wants to distance himself from Luzhkov and Primakov.

The third outcome is the collapse of Yurii Boldyrev's career. He did not win in his single-mandate district and his party did not even cross the 5 percent barrier in the city. Now he is no longer a serious contender in the 2000 gubernatorial campaign. - Daniil Tsygankov in St. Petersburg

SAMARA: TITOV'S PARTY WINS. With the strong support of Samara Governor Konstantin Titov, Soyuz pravyykh sil came in second in Samara Oblast with 22 percent of the vote. The Communists won with 26 percent and Yedinstvo was third with 20 percent. Titov's influence also explains the low level of support for OVR (under 5 percent). Titov was able to prevent almost all campaigning for OVR, not by applying administrative pressure but simply because OVR's organizers in the region are extremely loyal to Titov. Yabloko did poorly (4 percent) because of organizational troubles within the party's Samara branch, particularly a nasty battle between Samara city and Togliatti leaders. Titov's candidates won in three of the region's five single-member districts.

Yedinstvo's strength had some surprising results in the single member districts. In District 155, the unknown AvtoVAZ worker Anatolii Ivanov won because he is the head of the Yedinstvo alternative trade union. The favorites in the district had been Yabloko's Vitalii Zykov and OVR's Aleksei Kirienko. Voters apparently confused Ivanov's union with Shoigu's party and voted for him simply because he was associated with the word "Yedinstvo." In fact, his union has no connection to the pro-Kremlin party.

In District 153, Aleksandr Belousov won because in the week before the elections, Titov publicly supported him as someone sharing the views of the right. In District 152, Vera Lekareva, representing Soyuz pravyykh sil, won with 28 percent since at the last moment the electoral commission removed Duma member Albert Makashov, famous for his anti-Semitic statements, because of minor financial irregularities. Makashov plans to protect this decision. At his urging, 26 percent of those casting ballots voted against all. If the against all vote had topped Lekareva's results, the election would have been declared invalid. In District 154, Vice Governor Vladimir Mokry won, representing Soyuz pravyykh sil. In District 151, Communist Valentin Romanov won. - Andrei Perla in Samara

SVERDLOVSK: CENTRIST TENDENCIES CONTINUE. Yedinstvo was the clear winner in Sverdlovsk Oblast with 25.41 percent of the vote. Soyuz pravyykh sil came in second with 12.68 and the Communists third with 11.87. The local Mir.Trud.Mai won only 6 percent. Local observers think that Yedinstvo's victory confirmed Sverdlovsk's tendency to vote for centrist parties. Yedinstvo won the 25 percent of the electorate in Sverdlovsk Oblast that traditionally votes for the "party of power," regardless of who it is. The third place showing of the Communists is not unusual since they are traditionally weak in the Urals. The strength of Soyuz pravyykh sil is also not a surprise since the region usually gives it more support than the country as a whole.

Governor Eduard Rossel, who did not formally join any of the parties competing in the State Duma election, expressed satisfaction that Yedinstvo had won in the oblast. He noted that the strength of Soyuz pravyykh sil meant that the oblast's residents looked to the future with confidence. He believes that Yedinstvo, SPS, Otechestvo - Vsyaya Rossiya, and Yabloko could form a coalition in the State Duma and productively produce legislation.

In the single-member districts, five of the seven oblast races were valid, while new elections will have to be held in two because a plurality voted "against all." Of the five districts, Rossel's candidates won in four. - Natalya Mints in Yekaterinburg

TATARSTAN: VOTE COUNT SUSPICIOUSLY SLOW. In contrast to the Central Electoral Commission, which began reporting results at 9 p.m. on election day, the local electoral commission in Kazan did not start publishing results until 21 December. The newspaper *Vechernyaya Kazan* (21 December) wrote that "It is interesting that the electoral commissions in the rural regions of the republic turned in their protocols earlier than the Kazan commissions. Why does Kazan delay its report to the Central Electoral Commission? Are they padding the figures of the candidates from the party of power? There is no other logical explanation for this delay."

Nevertheless, now the results are known and almost all candidates from the presidential list won: Fandas Safiullin (District 22), Oleg Moroz (23), Salimkhan Akhmetkhanov (24), and Fliura Ziyatdinova (25). Only in District 26 did the authorities fail to win the election of their candidate. There incumbent State Duma Deputy Sergei Shashurin (Russian All-People's Union) won.

President Mintimer Shaimiev supported OVR in the election, and it is not surprising that this party won almost 49 percent of the vote in the republic. The local elite did its job. Now

Shaimiev has to figure out who to support for the presidency. Given Yedinstvo's success in this election, it likely will not be Primakov. - Midkhat Faroukshine in Kazan

TOMSK: LIGACHEV WINS. Yegor Ligachev, the former head of the hard-line faction in Mikhail Gorbachev's Politburo, won Tomsk's single-member District 174 seat. Before joining the Politburo, Ligachev had served as the first secretary of the Tomsk Obkom. His strength in the rural areas of the oblast was enough to put him ahead of Siberian Chemical Combine Director Gennadii Khandorin. The difference was only 200 votes. Democratic Tomsk always respected Ligachev because during the two decades that he ruled the oblast he was never implicated in corrupt deals and always supported the development of science and industry in the region.

The campaign was extremely vicious because the Kremlin had issued strict orders to Tomsk Governor Viktor Kress, a member of Our Home is Russia, to orchestrate Ligachev's defeat. Ligachev was famous in the 1980's for telling Yeltsin "You are wrong, Boris!" ("*Boris ty ne prav!*"). Ligachev is the oldest member of the new Duma and therefore will open its first session.

The well respected Kress had little success in the party list voting as NDR won only 2.31 percent of the vote. - Andrei Bondarenko in Tomsk

UDMURTIYA: OVR FAILS DESPITE EXECUTIVE'S SUPPORT. As in the rest of Russia, Yedinstvo did well (37 percent) and OVR did poorly (8 percent) in Udmurtiya, even though republican Prime Minister Aleksandr Volkov and the entire republican leadership strongly supported OVR. Nobody backed Yedinstvo in the region and its local branch was only organized three weeks before election day. The Communists won 19 percent, a relatively low figure for them and they seem to have lost voters to Yedinstvo.

The election results show that it is not profitable to cooperate with the republican authorities in the region because they are extremely unpopular and the voters particularly detest Volkov. Another strike against OVR was that it included Izhmash General Director V. Grodetskii. The industrial giant is in perpetual crisis and its problems did not encourage voters to support the director.

Yedinstvo's enormous success in the region was such a surprise that the republic does not even have a representative on the party list. Republican party leader V. Khoroshavtsev said that he would negotiate with Moscow party leaders about this issue.

In single-mandate District 29, Svetlana Smirnova won handily with the strong backing of the republican administration. In District 28 former Russian Deputy Prime Minister Yuri Maslyukov won even though his opponents tried to tar him with his association with Volkov, who supported him.

In a referendum held the same day, the voters chose to name the executive in Udmurtiya "president." The republic is now rewriting its constitution to exchange the current parliamentary system for a presidential one and presidential elections are likely to be held next fall. - Aleksandr Baditsa in Izhevsk

ULYANOVSK: GORYACHEV CANDIDATES WIN. Ulyanovsk Governor Yuri Goryachev successfully won the election of his candidates in the region's single-seat races. Goryachev chose not to support any single party or movement on principle, stating that it was important for the groups to work together and rather focused his energies on the single-seat races. In District 180 Chairman of the Krupskoi Agricultural Cooperative Anatolii Golubkov won with 49 percent of the vote. General Vadim Orlov from the 31st military brigade was victorious in District 181.

The success of Goryachev's candidates is particularly striking considering the results of party list voting in the region. Ulyanovsk voters chose the Communists, giving them 33.11 percent of the vote, considerably more than the all Russian average of 24 percent. Paradoxically, the very same electorate voted against KPRF candidates in the single-seat races, suggesting that Goryachev's endorsement greatly influenced the choice voters made there. Had Goryachev offered his support to a party, the Ulyanovsk's party list results may have been considerably different.

Opponents intend to contest the election results, claiming that Goryachev violated election laws by campaigning for his candidates on the day before the elections. - Sergei Gogin in Ulyanovsk

VOLGOGRAD: COMMUNISTS LOSE. The State Duma election probably will play an important role in restructuring the Volgograd regional elite. The returns were particularly unpleasant for the Communists.

The leader of the Volgograd Communists Alevtina Aparina lost in "her" district (71) to State Duma Deputy Yevgenii Ishchenko. According to the Duma's web site, Ishchenko was not a member of any Duma faction, but was the head of the Vladimir Zhirinovskiy's Liberal Democratic Party in Volgograd. Just a few months ago, he waged a professional and expensive campaign for the Volgograd mayor's office, but lost to incumbent Yuri Chekhov. Ishchenko managed to come in second in that race by playing on the populist field of the Communist Party. Because of the proximity of the mayoral and State Duma elections, he almost did not need to run a new campaign. Although Aparina will join the Duma from the Communist Party list, her influence in the region has been shaken.

A second blow to the local KPRF was the defeat of Aparina-ally Mikhail Tarantsov by Vice Governor Vasilii Galushkin in district 69. Galushkin is a personal friend of Communist Governor Nikolai Maksyuta, who fought against Aparina by making clear that there are differences between the governor and the party leader. Maksyuta can count the defeat of Aparina and Tarantsov as a personal victory, giving him greater independence from the party leadership.

In Volgograd Oblast, the Communist Party and Yedinstvo both won about 30 percent of the vote. The Soyuz pravyykh sil did surprisingly well in the oblast taking 8.84 percent overall, and 12.6 percent in the central electoral district, which covers much of the city.

The right-ward shift of the Volgograd electorate, which began a year ago with the elections to the Oblast Duma and continued in the local elections of 1999, has become more pronounced after the State Duma elections. The main result of the elections is that now the right-wing and pro-government faction can count on a victory in the presidential and gubernatorial

elections set for 2000. With those votes, Volgograd will likely exit the "red belt." - Ivan Kurilla in Volgograd

VORONEZH OBLAST: YEDINSTVO BEATS COMMUNISTS IN RED BELT. The outcome of the State Duma elections in Voronezh are almost sensational: according to the preliminary results, the pro-government Yedinstvo won in the heart of the red belt. It took 32.56 percent of the votes while KPRF won 30.07 percent. Zhirinovskiy's block came in third with 7.34 percent. OVR won just 5.43 percent. The liberal and right wing parties did not cross the five-percent barrier in the region.

At the national level, Yedinstvo won because of Prime Minister Vladimir Putin's popularity, the support for the (so far) successful military operations in Chechnya (Yedinstvo is often labeled as the "party of war"), and the traditional Russian desire for a "strong hand". Another reason is the unpopularity of Voronezh Oblast Governor Ivan Shabanov who is usually associated with the Communists and had expressed support for this party on several occasions.

The failure of Yabloko is no surprise - the regional chapter of this party in Voronezh no longer exists. This fall a new Yabloko organization appeared in the city but its leader, Sergei Naumov, made clear that this was not a regional chapter, but only an election campaign headquarters. It won only 3 percent. SPS, on the other hand, did well for such a predominantly Communist oblast, taking nearly 5 percent.

Four years ago the results were quite different. Then five parties crossed the five-percent barrier. The Communists led with 26.8 percent, followed by Zhirinovskiy's Liberal Democratic Party of Russia, 14.4 percent, and NDR, 6.9 percent.

In the four single-member districts, two Communist candidates won. In District 75 incumbent Communist Duma member Ruslan Gostev won with 20.38 of the votes. In this district, Yedinstvo candidate Businessman Mikhail Vaytsekhovskii had seemed likely to win. His campaign was the most aggressive. He fielded people in uniforms with the words "For Vaytsekhovskii" on the city's busiest street corners, and placed leaflets in residents' mailboxes. The businessman even paid for a special issue of the local newspaper *Voronezhskiy Vestnik*, which was entirely devoted to him. The kiosk vendors who sell audio tapes at bus stops played a tape with his biography instead of the usual music. In the end, Vaytsekhovskii came in second with 11.74 percent. In such a poor city as Voronezh, millionaires seem to inspire envy, if not hatred, rather than respect. Ironically, Yedinstvo ran two candidates in this district. Besides Vaytsekhovskii, the party also backed Voronezh Oblast Deputy Boris Skrinnikov. Locals joked that there were two bears in one lair (Medved, Russian for bear, is Yedinstvo's nickname).

In District 77 Communist Georgy Kostin won with 21.52 percent of the vote. He took the lead over entrepreneur Andrei Petrochenko and the liberal independent Vera Popova (apparently supported by SPS). Kostin used to be the general director of the Mechanical Factory, one of the largest enterprises in the city and the biggest employer in District 77. His position is probably the main reason for his victory.

In District 76, the victor was Nikolay Olshanskii, a Moscow tycoon and the general director of Agrokhiminvest, the largest fertilizer producer in Voronezh Oblast. According to NTV - Voronezh he spent about 1,700,000 rubles on his campaign, more than anyone else. He

also received considerable support from Governor Shabanov. There is some evidence of foul play in this district because the electoral commission originally reported that Communist Anatolii Bakulin had won. Some local observers allege that after these preliminary results were revealed some of the governor's supporters changed a few figures to make Olshanskii the winner. Bakulin is unlikely to sue because he, like Shabanov, is a Communist and will remain loyal to his party. Olshanskii is not a Communist, but it seems the governor is more interested in money than party affiliation. Incumbent Dmitrii Rogozin, the head of the Congress of Russian Communities, won in district 74. He is in opposition to Governor Shabanov.

There are no reports of violations. Nevertheless, observers say that at some polling stations the electoral committee members locked themselves in a room to count the ballots, leaving the observers outside. When the observers threatened to write an official complaint, the numbers on the report sometimes changed. In one case as many as 250 votes were apparently falsified.

These elections brought other sensational news. What was not possible on the federal level seems to work on local level. A little more than a week before the elections the regional representatives of three major parties, SPS, OVR and Yabloko, announced that they had signed a cooperation agreement. They agreed to join forces to ensure that the elections are fair and not to use unproven information to discredit each other. They have agreed to sponsor observers at all the polling stations in Voronezh. The local party leaders also agreed to coordinate their activities in the upcoming gubernatorial, Oblast Duma, and City Council elections. They may even nominate a single candidate to represent all three parties. (Based on information from www.fep.ru, www.voronezh.ru, *Novaya Gazeta v Voronezhe*, 14 and 21 December). - Andrei Muchnik in Voronezh

GOVERNORS' ELECTIONS

OVERVIEW: INCUMBENTS GENERALLY DO WELL, BUT NOT

EVERYWHERE. Of the nine gubernatorial elections held on 19 December, the incumbents won a clear victory in four regions, Moscow City, Primorskii Krai, Yaroslavl and Vologda. In three regions, Orenburg, Tver, and Tambov, they face a runoff. In Moscow Oblast and Novosibirsk, the incumbent did not make it into the second round and that future voting will determine who will lead those two key regions.

LUZHKOVA REMAINS STRONG IN MOSCOW. Moscow Mayor Yurii Luzhkov won reelection on 19 December in one round, gaining 71.5 percent of the vote. Soyuz pravyykh sil leader and former Russian Prime Minister Sergei Kirienko pulled in 11.4 percent of the vote and Kremlin property manager Pavel Borodin won 6.1 percent. Luzhkov did not have long coattails even in Moscow. His Otechestvo-Vsya Rossiya bloc won 30 percent less than he did in the capital.

Kirienko charged in a telephone conversation with EWI's Nina Khrushcheva that he lost 5-7 percent of his support because Luzhkov cut the number of polling booths in the city's precincts by 50 percent. Because of the reduced number of booths, there were long lines on election day. Kirienko charged that the older voters who supported Luzhkov were willing to

stand in the lines to vote, but his younger supporters simply decided not to participate if they were forced to wait. Kirienko declared a moral victory, however, because he said that after the election Luzhkov had held a meeting in which he decided to use many of the ideas advanced in Kirienko's economic platform.

Luzhkov had moved up the mayoral elections from June 2000 so that he could compete in the presidential elections without fear of losing his mayoral post. However, now he will not likely be a candidate in the presidential campaign since Putin and Primakov are the clear frontrunners. Luzhkov will likely remain Moscow's boss and a provincial politician.

His victory in the 1999 vote was a landslide, but not the near unanimous acclaim he won in 1996, when he took 88 percent of the vote. Clearly Kirienko's criticism of Luzhkov's allegedly corrupt and clearly personalized style of governance took its toll. While capital voters appreciate Luzhkov's success in turning Moscow into the gleaming beacon of Russian capitalism, they are growing weary of his demand for internal passports and the fees that must be paid for all services.

VOLOGDA: INCUMBENT TAKES COMMANDING 83 PERCENT. Vologda Governor Vyacheslav Pozgalev won a decisive victory, taking 83 percent of the vote. His vote total was similar in 1995, when he won 80.69 percent. His opponent was Sergei Karonnov, who had the backing of the Soyuz pravykh sil. His ability to win 16 percent against such a powerful opponent was considered a success, *Vremya MN* reported on 21 December.

PRIMORSKII KRAI: NAZDRATENKO WINS AGAIN. With more than 90 percent of the votes counted, Primorskii Krai Governor Yevgenii Nazdratenko has gathered nearly 65 percent to win another term as the leader of this far eastern port region. This result is slightly lower than in 1995, when Nazdratenko won 68.55 percent of the vote. The governor's closest competitor was General Director of the Primorskii Shipping Company (PRISCO), Aleksandr Kirillichev, who took 20.1 percent. One of the governor's main foes, State Duma Deputy Svetlana Orlova was removed from the ballot just 48 hours before the vote by the Nazdratenko-dominated krai electoral commission.

Nazdratenko's hold on the regional media made it impossible for his opponents to compete effectively. The governor's political commercials appeared on television 10 times as often as those of his competitors. Nazdratenko is estimated to have spent more than 12 million rubles on his campaign, considerably more than the 2 million spent by Kirillichev. However, Nazdratenko's real advantage came from the support he secured from the directors of the region's largest enterprises and the heads of local administrations, which depend heavily on his support. They formed a special council to back Nazdratenko's reelection, establishing 35 local branches throughout the krai.

The most interesting part of this election will be the aftermath. Several of the losing candidates are likely to file complaints with the court citing electoral violations. Orlova's case, in particular, could command attention in the Supreme Court. Kirillichev's team claims that ballots were tampered with in several polling stations. Former Vladivostok Mayor Viktor Cherepkov, who had been planning to run in the election but pulled out in protest several weeks ago claiming

that he would never be able to receive a fair race in the region, claims that he has indisputable evidence of gubernatorial dirty tricks. - Yevgenii Popravko in Primorskii Krai

YAROSLAVL: LISITSYN WRAPS UP VICTORY. Yaroslavl Governor Anatolii Lisitsyn avoided a runoff by winning the support of 65 percent of the voters. In 1995, he barely avoided a runoff by winning 51.81 percent of the vote. Lisitsyn had been one of the founders of the Otechestvo party, but later broke ties with Luzhkov and ran as an independent. His main opponent, Oblast Duma Chairman Sergei Vakhrukov won 14 percent.

TVER: GOVERNOR PLATOV FACES COMMUNIST IN RUNOFF. Tver Governor Vladimir Platov, the only governor on the Yedinstvo party list, is leading with more than 37 percent of the vote and will face Communist State Duma Member Vladimir Bayunov, who won 23 percent, in a runoff likely to be held 9 January.

In the run up to the election, Platonov announced that he would form an alliance with another candidate seeking the governor's seat, Andrei Stroev (*Tverskaya zhizn*, 16 December). Stroev, who stayed on good terms with Platov has convinced him to reorganize his administration to create an oblast-level government if he is reelected (*Veche Tveri*, 16 December). Stroev could become the oblast prime minister, but this post may also go to Platov's current number two, Vice Governor Yurii Krasnov. - Boris Goubman in Tver

TAMBOV: RYABOV FACES OLD FOE IN NEXT ROUND. Communist Tambov Governor Aleksandr Ryabov and the region's Presidential Representative Oleg Betin will face off in a second round to be held on 26 December. These two candidates were the main contenders for the top post in 1995 as well. Yeltsin had appointed Betin governor from March to December 1995, but Ryabov then won the oblast's first election. The ultimate winner in the runoff will be the candidate who can form the best coalition of the numerous gubernatorial candidates who did not make it into the second round.

Tambov is one of the poorest oblasts in the Central Black Earth region. Ryabov has close ties to the industrial and agricultural interests of the region, according to the Panorama research group (www.panorama.ru). Ryabov blames much of the region's problems on the policies of the federal government. While Gennadii Zyuganov called on the local Communists to support Ryabov, they instead backed Tambov City Party Committee First Secretary Stanislav Lyashev, who through his brother is connected to the city's most powerful bank, Tambovkreditprombank.

Betin knows the region's economy well because for several years he headed the Ministry of Finance's regional treasury. He has organized the *Za vozrozhdenie Tambovshchiny* party in the region to oppose Ryabov. He criticized Ryabov for adopting a budget in 1999 in which the deficit was twice as large as the region's own source of income. During the campaign, Yurii Luzhkov's Otechestvo was his main ally.

One of the candidates who opposed Ryabov in the first round was Vladimir Puchnin, the head of the Ministry of Internal Affairs in the region. During the last two years, the governor and general have fought for control of the region's alcohol industry. However, the police work poorly in the region and Puchnin's own deputy, Mikhail Biryukov was assassinated in October.

ORENBURG: INCUMBENT LEADING, BUT FACING RUNOFF. Orenburg Governor Vladimir Yelagin, a member of the Yedinstvo bloc, leads in the first round of his region's gubernatorial elections, with 33.5 percent of the vote. His opponent will be Communist State Duma Deputy Aleksei Chernyshev, the former Communist Party of the Soviet Union Obkom secretary, who won 24 percent. In the first round, Yelagin had faced two other serious contenders, Nosta General Director Pavel Gurkalov, who until recently stressed his close ties with Yelagin, and Orenburg Mayor Gennadii Donkovtsev, the governor's opponent in the previous elections. All three candidates heavily criticized Yelagin during the campaign.

NOVOSIBIRSK: MAYOR, MINISTER IN RUNOFF, GOVERNOR OUT. Novosibirsk Mayor Viktor Tolokonskii led the first round of the 19 December Novosibirsk gubernatorial election, with 26 percent of the vote. He will face Deputy Russian Economics Minister Ivan Starikov (21 percent) in the runoff. Incumbent governor Vitalii Mukha (18 percent) placed third and did not qualify for the runoff. The results came as a surprise because several polls had shown Mukha in the lead. Mukha's loss breaks the pattern in which the leaders of large regions have generally been able to win reelection.

The Otechestvo-Vsya Rossiya bloc, whom Mukha backed in the Duma campaign, won only 5.89 percent of the vote in Novosibirsk, much less than it did in other regions. The anti-Primakov and Luzhkov television barrage on Russia's two national state-owned networks hurt Mukha. Even a drop in the price of gasoline of one ruble per liter just before the election was not enough to save him.

Starikov considers his success in the elections a "natural sensation." He began campaigning just over a month ago, long after the other candidates had joined the fray. Since he lives in Moscow, many people in the oblast had forgotten about him and his initial ratings were in the low single digits. In contrast to Tolokonskii and Mukha, he could not use his daily activity in office to generate publicity. Therefore, he has to seek other ways of gaining attention. His rating began to climb sharply after the televised debates in which he performed brilliantly and his speeches in the press club in which he proposed legislation that would limit the power of governors in Russia and the elective status of local government. He also presented an intelligible economic program. Overall, Novosibirsk observers think that he ran a very effective campaign. He has the official support of the Soyuz pravykh sil and the unofficial support of Yabloko.

Starikov believes that another factor in his success was that he was able to organize "unprecedented" monitoring capabilities of the voting process. "Our representatives were at every polling place and stopped every attempt to violate the law," he said.

The second round will most likely take place on 9 January. The long time between the two rounds will likely work in favor of Mayor Tolokonskii. On the other hand, those who voted for Mukha will likely not support the mayor since the two were involved in a long and bitter power struggle. The votes for Communist Kuznetsov, a respectable 15.75 percent, also are more likely to go to Starikov than Tolokonskii, particularly since the local Communist leader has backed Starikov. Thus it seems that Starikov is in a strong position going into the runoff. At a press conference after the results of the elections had become known, Starikov said that he

would work with Tolokonskii if he were elected governor. "There are many problems in the city and I am prepared to work for their resolution."

Starikov placed third in the 1995 gubernatorial campaign. He runs best in the city of Novosibirsk (population two million), but also has support in the countryside where he was born and long worked as the director of the Maslyaninskii factory. - Irina Maslennikova in Novosibirsk

MOSCOW OBLAST: SELEZNEV, GROMOV IN RUNOFF, INCUMBENT OUT.

After the voting on 19 December, Communist State Duma Speaker Gennadii Seleznev leads State Duma Deputy Boris Gromov, who had the support of Otechestvo-Vsya Rossiya, 28-21 percent going into a runoff for the Moscow Oblast gubernatorial elections that will be held on 9 January. Incumbent Anatolii Tyazhlov came in third with only 12 percent of the vote. Central Electoral Commission Chairman Aleksandr Veshnyakov said that there would be an investigation into why all the original protocols of the territorial election commission disappeared when it became clear that Tyazhlov would not make the next round. By 6:30 am on 20 December the Moscow Oblast Electoral Commission only had voting results from 12 of the 73 districts, according to lenta.ru. Seleznev and Gromov expressed concern that Tyazhlov was trying to fix the results. The oblast electoral committee is filled with Tyazhlov's appointees. Seleznev and Gromov demanded that the original vote tally protocols be sent to the electoral commission.

On 20 December, Moscow Mayor Yurii Luzhkov said that he would support Gromov in the runoff over Seleznev. The former speaker of the State Duma could be a powerful opponent for Luzhkov since he could play on the differences between the Kremlin and Luzhkov to capture some of the region's wealth, *Kommersant Daily* reported.

Neither Seleznev nor Gromov have experience as an executive. Seleznev worked his way up the Komsomol hierarchy, ultimately becoming editor-in-chief of *Komsomolskaya pravda*, according to the Panorama research group (www.panorama.ru). Later he became editor of *Pravda*. The Russian Committee on the Press fired him from this position in 1993 for supporting the Supreme Soviet in its battle against Yeltsin and the paper did not come out until he was replaced. He was elected to the State Duma in 1993 and became its speaker in 1995.

Gromov made his career in the military, ultimately serving as the last Soviet commander in Afghanistan. He was elected to the USSR Congress of People's Deputies in 1989. He signed the notorious declaration "Word to the people," which served as the basis for the 1991 coup. However, during the event, he blocked the storming of the White House. At various times he served as first deputy minister of the interior and deputy defense minister. In 1995 he led the Moe Otechestvo bloc in the State Duma elections. His party did not pass the five-percent barrier, but he won a single-member district seat from Saratov. In the Duma, he was a member of the Russian Regions faction.

MAYORAL ELECTIONS

YEKATERINBURG INCUMBENT WINS. Yekaterinburg Mayor Arkadii Chernetskii earned another term on 19 December, winning 55 percent of the vote. Chernetskii's closest

competitor was Sverdlovsk Oblast Deputy Prime Minister Petr Spektor, who took 11 percent of the vote.

Chernetskii won despite the opposition of Sverdlovsk Oblast Governor Eduard Rossel, with whom he has a long-running feud. Commenting on the results, Rossel said that people voted for stability. After the results were in, Rossel personally phoned Chernetskii. In their conversation, Chernetskii thanked the governor for his congratulations and even expressed the desire to work constructively together now that both men have won reelection this year. Chernetskii asked Rossel to set up a meeting to discuss current and strategic problems. The date will be set once Rossel returns from his present trip to Moscow.

However local observers do not expect a warming in the frosty ties between the governor and mayor any time soon. In April 2000, there will be new elections to the oblast's Legislative Assembly. New members will be chosen for the 21-member lower house and half of the 28-member upper chamber. In the 1998 elections, Rossel's Transformation of the Urals movement lost influence to Chernetskii's Our Home-Our City, and now both leaders want to improve their standing in the oblast parliament. - Natalya Mints in Yekaterinburg

KEMEROVO MAYOR WINS. Kemerovo Mayor Vladimir Mikhailov was reelected, pulling in 62 percent of the vote. KPRF candidate Viktor Artemov came in second with 15.8 percent of the vote.

REGIONAL RESOURCES

Yedinstvo (<http://www.edinstvo.org/>) - Following the pro-Kremlin Yedinstvo party's success in the State Duma elections, the new party's site is sure to be popular. It includes information about the bloc's three leaders, its programmatic statements, a list of the bloc's candidates, and some older press clippings.

Anti-Semitism in Russian Regions (<http://www.FSUMonitor.com/99report/index.shtml>) - The Union of Councils for Soviet Jews (UCSJ) has issued a new report on the increasing problems of anti-Semitism, xenophobia and religious persecution in Russia. The report, including 62 regional chapters and five brief synthesizing essays, documents in detail threats to Jews and other religious and ethnic minorities across the vast territory of the Russian Federation, and is being released exclusively online at www.FSUMonitor.com.

Russian Political Science Association (www.rapn.ru) - This site looks like it will include on-line access to the very useful journal *Polis* in the future. At the moment, however, it is not fully functional.

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