

Russian Regional Report  
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A bi-weekly publication jointly produced by the Center for Security Studies at the Swiss Federal Institute of Technology (ETH) Zurich (<http://www.isn.ethz.ch>) and the Transnational Crime and Corruption Center (TraCCC) at American University, Washington, DC (<http://www.American.edu/tracc>)

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**TRACCC YAROSLAVL CONFERENCE**

**CRIME GROUPS INCREASING TIES TO AUTHORITIES.** Crime groups are increasingly working with public officials in Russia at the regional, and local levels, making it difficult for those seeking to enact and enforce laws combating organized crime, according to many of the criminologists who participated in a conference addressing organized crime hosted by Yaroslavl State University and sponsored by TraCCC, with support from the US Department of Justice on 20-21 January. The current laws on organized crime are largely a result of Russia's inability to deal with this problem, according to Natalia Lopashenko, head of the TraCCC program in Saratov.

Almost the only area of agreement among the scholars, law enforcement agents, and judges was that the level of organized crime is rising. Figures from the Interior Ministry suggest that the number of economic crimes, in particular, is shooting upward.

Since Russia's legislation does not offer specific ways to deal with organized crime, regional and local officials often have to figure out their own approach. In many cases, such officials find it more effective in terms of maintaining stability to work cooperatively with organized crime leaders to handle local situations rather than simply trying to arrest them.

It is difficult to enforce the laws against organized crime because prosecutors must show concretely who did what and define the consequences of these actions. Such tasks are extremely complicated when criminals have high-level protection from state

officials. Vladimir Yakushin, rector of the Volga University in Tolyatti, advocated making it easier to prosecute crime groups and their leaders under Russian law. In particular, he suggested holding the head of a crime group responsible for all the actions of the group. His views were not widely supported, however, because it would relax the law's current focus on concrete crimes in favor of addressing the "bigger picture."

Part of the problem is that the law has a very difficult time defining what exactly a crime group is. Existing legislation is poorly worded and in places even contradictory. Practitioners employ various terms such as "group," "society," and "band" to define organized crime, but it is not always clear how to distinguish among these terms. Among the factors that can be employed are intent to commit a crime, number of members, presence of weapons, prior agreements, structure, long-term and stable ties, and ability to communicate and coordinate effectively. But there is no consensus. Critics like Lopashenko questioned the Russian Supreme Court's decision to require that organized crime groups be defined as "stable," noting that such a requirement did not always make sense. She advocated preparing a special law on organized crime, but others, such as Yaroslavl University's Lev Kruglikov pointed out that Yeltsin's early 1990s decree on organized crime had produced no concrete results. Kruglikov claimed that new legislation would not likely be more effective and suggested working within the framework of existing law. Moreover, the adoption of separate legislation on organized crime would only increase the possibility for inconsistencies with the Criminal Code.

A related question to defining crime groups is determining who is a member of such groups and what level of legal responsibility they bear for crimes the group commits but in which they were not direct participants. It may be necessary to define different levels of membership and, accordingly, different levels of responsibility. For example, if a crime groups commits a murder, are all members guilty of this murder? Additionally, if group members meet with public officials to coordinate actions, should those public officials also be held criminally responsible for the group's actions? The crime groups have concrete goals of gaining wealth and political power. If governors, for example, faced clear sanctions against working directly with criminals, they would be more careful in their relations, some argued.

Applying legal definitions to real world cases is never easy. Yuri Zuev, a judge in the Yaroslavl Oblast court, recalled one of Yaroslavl's most famous crime cases from several years ago involving a gang that killed about two dozen taxi drivers in a crime spree. Since the crimes took place over the course of four days, the court determined that the perpetrators represented an "organized" group. In another case, however, an investigator tried to show that a group was organized because one of its members used a pager. The court did not accept this as evidence of "organization." Oblast judges try to follow the general course as they perceive it as being defined in Moscow. However, since there are many different opinions at the federal level, oblast judges often find their decisions overturned.

Amendments adopted to the Criminal Code in December 2003 have proven to be controversial. Among other things, these amendments removed the state's capacity to confiscate property from convicts and replaced this penalty with fines up to one million rubles, even if the profit from the crime was much higher. Speakers such as Maksim Feoktistov, deputy dean of the Kuban State University Law Department, thought such a change would allow criminals to get away with their gains. On the other hand,

Lopashenko backed these changes, pointing out that judges rarely confiscated property in the past, or were unable to enforce property confiscation sanctions if adopted, even though the crime rate was rapidly growing. She argued that the change merely brought the law into line with de facto practices.

Yaroslavl has ten functioning organized crime groups, according to deputy head of the department for combating organized crime in the oblast Vladimir Glazkov. There has not been a major crime case in the region for about three years, though in 2002 there were about 70 crimes of an organized character registered. Most of the crimes are connected to the energy sector or the production of illegal alcohol.

Glazkov pointed out that the battle against crime requires strong political will. He noted that earlier there had been a lot of pressure to remove the region's thieves-in-law (*vory v zakone*), Russia's recognized crime leaders, but that now that pressure did not exist. Currently there is one *vory v zakone* in the region, but the authorities do not move against him because they believe that he does a good job keeping the situation under control and maintains a form of order. Removing him would be risky because it might lead to the rise of a more energetic or cruel crime boss.

Generally, the organized crime groups gained most of their initial capital in the privatization and economic chaos of the early 1990s. Now these people own their own businesses, such as casinos, or buy stock in local enterprises, where they work as directors. In effect, many of them have legalized their capital and now function in the regular economy, for example joining the boards of legitimate businesses. These practices raise new questions, such as whether the organized crime backgrounds of such investors influence their activities as businessmen and in what ways. Preliminary research suggests that in some cases such ties will influence business activities, but more work needs to be done.

The authorities keep tabs on such business activities and particularly investigate bankruptcy battles, to see how such techniques are being employed to gain new assets. Many of Yaroslavl's crime bosses live in Moscow and only visit Yaroslavl occasionally. Essentially, they try to live as publicity-shy aristocrats and seek to avoid conflict with one another.

Organized crime groups are increasingly gaining the ability to take over cities and even regions. Tolyatti, the home to Russia's largest and notoriously corrupt automobile manufacturer, is one visible example. But others exist, for example, in small Siberian towns, where thieves in law are often in control. Such criminal-politicians are often popular because they ensure the provision of basic social services, such as the payment of pensions. Removing them can lead to new turf battles and shooting wars. Therefore policies aimed at dealing with organized crime groups must be more sophisticated than simply arresting crime leaders. Removing such figures is not always effective because usually another will appear to fill the vacuum. A more comprehensive solution is needed.  
- Robert Ortung in Yaroslavl

## **GUBERNATORIAL ELECTIONS**

**SAKHALIN ELECTS NEW GOVERNOR.** Sakhalin Oblast, the resource rich island region on Russia's east coast, lost long-serving Governor Igor Farkhutdinov and much of its political elite when their helicopter crashed in August 2003. The subsequent electoral

campaign to replace Farkhutdinov was one of the dirtiest in the region's history. However, the outcome is not expected to change much in the region: the winner was Ivan Malakhov, a member of Fakhutdinov's team who had served as acting governor after his death and promised to continue his policies.

In the race among 13 candidates, Malakhov's closest competitor was Yuzhno-Sakhalinsk Mayor Fedor Sidorenko. Sidorenko managed to unite around himself a group of opposition-minded politicians in the region, the most prominent of whom was the long-serving Communist State Duma member Ivan Zhdakaev, who was reelected in the December elections.

The platforms of the candidates differed little, focusing on such key issues as drilling for oil in the Okhotsk Sea, the problems of the fishing industry, preparations for winter, relations with the region's mayors, housing issues, and pensions. Attempts to revive the idea of linking Sakhalin to the mainland or exploit the dispute with Japan over the Kurile Islands did not produce any concrete political benefits.

The main difference was in the way that the candidates evaluated the social situation and level of economic development in Sakhalin Oblast during Farkhutdinov's tenure. Here Malakhov, who had served as the head of the former governor's economic committee, had to answer the numerous complaints his opponents made about the status quo. Overall, Malakhov's strategy of identifying himself with the former governor produced dividends, but forced him to take responsibility for his predecessor's policies.

However, the results of the elections show that the stability and continuity that Malakhov promised, the support of the business and political elite at the federal and regional levels, and the candidate's good looks, ability to speak, and well-run campaign were more attractive to the voters than the negative campaign unleashed by Mayor Sidorenko. Despite the strong passions of the campaign, Sidorenko phoned Malakhov immediately after his victory to congratulate him on his new job. The governor quickly set about appointing his key aides. Among them is deputy oblast duma chairperson Lyubov Shubina, who will handle social issues. Her appointment suggests that she had a deal with Malakhov that she would not compete in the race herself in exchange for a key position in the new administration. - Andrei Meikin in Sakhalin

## **CENTER-PERIPHERY RELATIONS**

**TYUMEN OBLAST, OKRUGS RESUME CONFLICT.** Relations between Tyumen Oblast and the Khanty Mansii and Yamal Nenets autonomous okrugs, which are simultaneously part of the oblast and separate regions in Russia's complicated federal system, have again begun to deteriorate. The relationship had improved when Sergei Sobyenin won election as governor of Tyumen Oblast with the support of the okrugs. However, the new point of conflict is that article 26.6 of the recently adopted amendments to the law on regional political institutions, which goes into effect on the first day of 2005, requires that the oblast government decide how to use all federal subsidies in the region unless there is a special treaty or federal law in place that specifically gives some of this power to the okrugs. As a result, Tyumen Oblast now has an opportunity to assert its influence over the okrugs. The oblast government had effectively lost this power when the okrugs gained the status of independent regions.

Since the okrugs contain most of Russia's oil and natural gas wealth, they have little interest in sharing their income with the poorer southern part of Tyumen Oblast. For years, the northern okrugs have ignored efforts by the south to divide the resources more evenly. However, the new legislation now forces the okrugs to start negotiating in order to adopt a new treaty. Yamal Nenets initiated the creation of a working group to prepare a new treaty in April 2003, replacing the treaty that had been adopted on 14 April 2002.

Until the end of 2003, although the Tyumen government dragged its feet, it expressed a readiness to cooperate and delegate its powers. This approach was the result mainly of the fact that Tyumen Governor Sobyenin had been elected with the support of the okrugs. Now, however, Sobyenin has demonstrated an interest in taking over the management of the entire oblast, including the two northern okrugs. Doing so would make a clear evolution in his position since he came to power with the okrugs' support, but now seems interested in ruling independently of them.

Sobyenin refused to participate in working group sessions in December. Most likely during a personal meeting with President Putin, he received instructions on how to organize relations with the okrugs in the future. Putin probably would like to see the okrugs merged into the oblast, creating one region from the current three. - Yelena Arbatskaya in Tyumen

## **ELECTORAL VIOLATIONS**

**KHABAROVSK COURT JAILS ELECTION WORKER.** The Khabarovsk court recently found guilty 57-year-old S. Budnikova, a member of a precinct electoral commission, for forging the signatures of 22 voters in the December 2001 krai legislative elections. The guilty verdict in such a case was unprecedented in the krai. The court sentenced Budnikova to three years in prison, which considering her age and the maximum sentence of four years, was a harsh penalty meant to send a message.

Budnikova voted for the 22 citizens who did not come to the polling place themselves. She testified that the other members of the electoral commission did the same thing, but the prosecutors did not have enough evidence to convict anyone else, so Budnikova was the only one to go to jail.

The court did not manage to determine in whose favor Budnikova marked the ballots or who ordered her to falsify the vote. Clearly, a high level official told her whom to support and how to do it. As a result, the case was not widely covered in the local media. Nevertheless, on the eve of the presidential, gubernatorial, and mayoral elections in the krai, the poll workers received a strong warning not to commit similar acts. Such events are very rare in Russia. - Yuri Rozhkov in Khabarovsk

## **PROCURATOR FILES CRIMINAL CASES IN KALMYKIYA ELECTIONS.**

Immediately after the elections, supporters of Valerii Ochirov took to the streets to protest the results of the 7 December State Duma elections in Kalmykiya, leading to a three-day standoff with the authorities. He lost to United Russia candidate Gennadii Kulik, 41-31 percent. The conflict only ended when Presidential Envoy Viktor Kazantsev arrived and declared that there would be an independent investigation of the vote count (see Russian Regional Report, 18 December 2003). On 24 December republican procurator Sergei Khlopushin and deputy head of the general procurator's southern

federal okrug division Sergei Adamov announced that they had found no violations that could affect the outcome of the elections.

However, they filed two criminal cases against workers in two precincts for violating voter rights and falsifying votes. An investigation is on-going, but it will not affect the overall results, Khlopushin stressed.

Adamov said that the violations would have been much worse if the republican procurator had not intervened directly in the elections before voters went to the polls. Even before the voting took place, the procurator filed two criminal cases, one for buying votes and the other for illegal use of police officers against one of the registered candidates.

The procurator also filed charges against the organizers of the demonstrations on Elista's main square. Members of the crowd threatened to charge into the republican presidential palace at the height of the protests. The organizers face administrative procedures and were ordered to report to the republic's justices of the peace. The individuals who called for storming government offices face criminal charges.

However, in listing the main reasons for the unrest in Kalmykiya following the State Duma elections, republican procurator Khlopushin emphasized the failure of the electoral commission to publish the election results until 15 December, eight days after the voting. - Vladimir Volgin in Elista

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**DYNAMICS OF RUSSIAN POLITICS: PUTIN'S REFORM OF FEDERAL-REGIONAL RELATIONS, VOL. 1**

Edited by Peter Reddaway and Robert W. Orttung

"Who Rules Russia?" President Vladimir Putin's most ambitious reform program to date - his attempt since 2000 to reshape the Russian Federation, to centralize much of the power lost by the Kremlin to the eighty-nine regional governors during the 1990s, and to strengthen his weak grip on Russia's institutions and political elite - begs this question.

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**ELECTIONS**

**KRASNODAR GOVERNOR FACES PROBLEMS MANAGING**

**"DEMOCRACY."** Krasnodar Krai is deeply embroiled in its first scandal connected to the 14 March presidential and regional elections. The governor is having trouble controlling the Krasnodar branch of the regional United Russia party. The scandal is being widely discussed despite efforts by the governor to keep it out of the krai media. Although all local media outlets attended the party's recent local congress, only one private television station broadcast a detailed report, but this was sufficient to attract wide attention to the issue.

On 14 March, Krasnodar will help elect the Russian president and decide the fate of the region's governor, the capital city's mayor, and four vacant spots in the regional legislature. Originally, the governor and mayoral elections were scheduled for fall 2004,

but the regional politicians moved them up in order to ensure the necessary turnout in all elections.

On 29 January, the local branch of the pro-Putin United Russia held its sixth extraordinary conference. While the delegates unanimously approved resolutions backing the reelection of President Vladimir Putin and Governor Aleksandr Tkachev, things did not go as planned for the mayoral elections.

Shortly before the conference, the Krasnodar city organization of United Russia nominated an alternative candidate for the post of mayor in the krai's capital city, General-Major (ret.) Igor Agarkov, chairman of the krai's "Fighting Brotherhood," an organization that brings together veterans of local wars and military conflicts. The city party organization adopted its decision within the framework of the party's charter, but in conflict with the preferences of the krai authorities to back the election of incumbent mayor Nikolai Priz.

Observers believe that the retired general has little chance of winning. He has little political experience, lacks the backing of big business in the region, and is practically unknown among the region's voters. However, his candidacy likely will have a big impact on the mayoral elections. Even though the general has little chance of winning, his participation in the elections could take a large number of votes away from the incumbent and diminish the significance of the mayor's victory. The move against Mayor Priz comes from the least expected quarter, his potential allies in the party, rather than the opposition.

The krai authorities are taking the unexpected opposition of the city's party branch as a serious challenge. In the mid-1990s, political life in the krai was characterized by constant conflict between the mayor of Krasnodar and the governor. This conflict made it difficult to implement social and economic programs and blocked the adoption of important decisions. When the previous governor and mayor left office in 2000 and changes were adopted in the way the city and krai budget are adopted, the situation became less conflictual. But memories of the past conflicts are still fresh and even the slightest threat to peace between the two levels of the executive branch are seen as a serious problem. Accordingly, Governor Tkachev sent a letter to the krai United Russia organization asking it not to support an alternative candidate.

Representatives of the governor's administration did everything possible to ensure that the delegates to the party conference adopted a resolution supporting the incumbent mayor. But all of these efforts met determined resistance. Then deputy governor for domestic politics Murat Akhedzhak offered a political deal. He proposed that if General Agarkov's supporters withdrew his candidacy, the governor would use his resources to elect the chairman of the city's United Russia organization Mikhail Karakai to one of the vacant seats in the krai legislature. Karakai had already joined the race for this seat, but he essentially received an offer of a "guaranteed election."

Such a clear deal involving the results of an election that has yet to take place sheds light on the nature of political life in Krasnodar Krai. Usually, the krai has absolutely predictable elections at all levels. The executive branch chooses its preferred candidates and devotes all of its resources to securing victory. Afterwards, the chances that any other candidate could win are considered to be zero. The administration devotes all of its administrative resources to victory, including such influential levers as control

over the media, social organizations and parties and, where necessary, removing candidates through the courts.

In such a system, the only role for the average voter is to confirm decisions previously made by the authorities. Thus it is not surprising that voter participation has been declining from year to year. In 2002, voter turnout for the krai legislative elections was below the minimum requirement in 7 constituencies even though that requirement had been lowered to 25 percent. In the elections to the State Duma in December 2003, the second place finisher in half of the districts was "against all."

In a secret ballot at the conference, the delegates voted to reject the administration's proposed deal and backed the candidacy of General Agarkov. They rejected the governor's proposed deal as cynical vote trading.

Thus the krai branch of the "party of power" dropped its obedience to the regional executive and announced its desire to be an independent player on the political stage. Thus, Russia is forming political pluralism and competition in an unusual way - not through the battle of various parties, but by dividing a previously monolithic system of management and creating competition between various wings of the managerial apparatus, which lobby their own interests and policies. - Sergei Danilchenko in Krasnodar

## **REGIONAL POLITICS**

**NEW TVER GOVERNOR SETS UP TRANSITIONAL ADMINISTRATION.** In December 2003, Tver elected as its governor Dmitrii Zelenin, the head of the Managers' Association of Russia and a former executive at Sergei Potanin's Norilsk Nickel. After more than a month of silence, Zelenin appointed his key deputies to office at the beginning of February. Zelenin said that the new deputies will serve through a transitional period which should end by 1 September, after which the governor will install a totally new system of management for the region.

For the time being, Zelenin has put together a team that combines some members of the previous administration with new blood, apparently hoping to ensure continuity in the region during the transition period (*Veche Tveri*, 7 February). The governor is bringing in several deputy governors from outside Tver to deal mainly with defining the new strategic directions of development for the region, while the holdovers from the Platov administration will focus on keeping the current system functioning. The old hands will have less political influence and control over the budget than the newcomers.

Of the 11 deputy governors, five originally worked in the former administration. They will handle agriculture; property and natural resources; social, healthcare and cultural issues; construction, and financial policies. The six newcomers include Mikhail Bershadskii, who will serve as first deputy and head up the new administration. Others will deal with education; social development; industry; economic policy, industrial policy, energy issues, and international trade.

It is too soon to say what the oblast government will look like after 1 September. The governor plans to turn his administration into a body focused on development, likely leading to radical changes. So far, he is studying the situation extensively and considering next steps. - Boris Gubman in Tver

**AYATSKOV DISMISSES TROUBLED RELATIVE FROM HIGH POSITION.** On 21 January, Saratov Governor Dmitrii Ayatskov dismissed his nephew Yurii Moiseev from the position of first deputy chairman of the oblast government. Only last year Moiseev seemed to have unlimited prospects as Ayatskov was interested in having him elected as mayor of the city of Saratov, replacing his political opponent Yurii Aksenenko (see Russian Regional Report editions for 21 May and 25 June 2003).

However, since last spring Moiseev has remained at the center of an unprecedented legal scandal in the region. In April 2003, Moiseev was charged with inflicting serious harm on a 17-year-old boy for stealing sunflower seeds in a 1998 incident when he was already a high-level oblast official. The charges were the result of allegations published in the oblast newspaper *Reporter*. Moiseev was released on bail and continued to perform his official duties until his dismissal in January. The governor continued to assert that Moiseev was innocent and that the case was simply the work of his political opponents.

Even though Moiseev agreed not to seek the mayor's office, the case against him continued. His lawyer was only able to have the trial moved out of the city of Saratov, which is largely under the control of Ayatskov's opponents. Now the trial is taking place in the village of Novye Burasy. The youth initially lost his sight, speech and ability to feed himself after the beating allegedly administered by Moiseev. He has since improved considerably, but continues to suffer serious consequences from his injuries.

Regardless of his guilt or innocence in the beating case, Moiseev was definitely the target of a political attack organized by the incumbent Saratov mayor and his ally, the oblast procurator. Although the publication in *Reporter* was based on solid evidence, it was placed there to block Moiseev and his allies from seeking the mayor's office by providing the grounds to launch a criminal investigation against Moiseev. Usually in such cases, once Moiseev agreed not to run for the office, the charges would be withdrawn. However, in Moiseev's case, the charges are too serious and cannot simply be dropped. Moreover, Moiseev himself protested all the way up to the Russian Supreme Court to take advantage of his right to move the case out of Saratov's city courts. Now, even if Moiseev is able to avoid a conviction or prison time, it will be difficult for him to overcome the image of someone who maimed a teenager.

Obviously having such a person among his closest aides would hurt the governor's image. Nevertheless, Ayatskov, even two days before removing Moiseev, said that he had no plans to fire Moiseev before the court ruling, which Ayatskov asserted would be innocent. It is not clear why Ayatskov quickly reversed himself and accepted Moiseev's resignation. Most likely he decided that the political costs of keeping Moiseev on, even before the court had reached a decision, were too high. - Ilya Malyakin in Saratov

## **CRIME**

**DESERTERS SPUR CRIME WAVE IN KHABAROVSK.** The press does not focus on the issue of deserters leaving the military as much as it did in the past because people have become used to this problem. Now the topic only arises when one of the deserters commits a crime, such as murder, armed assault, or theft. The number of criminal cases filed against deserters is constantly rising.

Deserters in Khabarovsk often wind up living in basements, alongside the homeless, drug-users, and common criminals. They usually claim that they are fleeing hazing among the ranks, but their commanders attribute their flight to their inability to meet their service obligations.

The number of deserters is unknown because most commanders hide this information from their superiors even though the penalties for overseeing such soldiers are not great. Usually the commanders face a reprimand or the loss of bonuses.

To deal with the issue, the army in the Far East military district launched an anti-deserter campaign on 1 February. Over the course of the month, the leadership hopes to determine exactly how many deserters there are in the area and severely punish those who have left their jobs.

However, such solutions are unlikely to have much impact. Plans to create a professional military have been set aside. The Union of Right Forces (SPS), which failed to cross the 5 percent barrier in the December 2003 State Duma elections, was the main advocate of creating a professional army. Now there is no one to pressure the military leadership to institute such change. - Yurii Rozhkov in Khabarovsk

## **FOREIGN INVESTMENT**

### **ROSTOV LEADERSHIP HOPES TO BLOCK FACTORY SALE TO US FIRM.**

Rostov Governor Vladimir Chub hopes to block the planned sale of the Belokalitvensk Metallurgical Combine by Oleg Deripaska's Russian Aluminum to the American firm Alcoa. The factory, reportedly worth \$100 million, makes aluminum products for the military. Chub and his team warned that if the sale goes through, the strategically important factory would pass into American hands.

This confrontation is extremely unusual for Chub, who usually does not oppose the actions of such rich and powerful businessmen as Deripaska. Since Deripaska's position remains strong, in contrast to that of jailed Yukos leader Mikhail Khodorkovskii, he will not have to worry about opposition from the governor. Chub will not be able to interfere with the deal and it will go ahead or not based on the decisions of the Americans and Deripaska. Particularly after the resignation of Presidential Chief of Staff Aleksandr Voloshin, Chub has no important personal contacts within the Kremlin. Nevertheless, the regional authorities will not reduce their opposition to the deal until they receive a direct order to do so from the presidential administration.

Chub's behavior reflects the strong anti-American sentiments among the oblast leadership and willingness to place these opinions over the potential of having an important new strategic investor working in the oblast. The oblast leadership is deeply concerned about the negative role they see the US currently playing in world affairs. The oblast officials would prefer to work with businessmen from the European Union and the CIS. - Aleksandr Krasnov in Rostov-na-Donu

## **CORRUPTION**

### **PRIMORSKII KRAI DEPUTIES PROTEST ADMINISTRATION, COURTS.**

Several Primorskii Krai deputies, including Aleksandr Mamoshin and Nikolai Markovtsev sent an open letter to President Putin, the Russian government, and law

enforcement agencies accusing the krai's gubernatorial administration and arbitration courts of corruption on 19 January. The deputies claimed that the governor's administration and courts "were supposed to defend Russian state interests in the krai, but were bankrupting state enterprises and selling off their assets at artificially low prices to meet the personal interests of administration and court bureaucrats. The jointly coordinated activities of the administration and arbitration courts in declaring firms bankrupt provides concrete evidence that the regional executive and judicial branches were corrupt." The deputies cited the firms Bor, Dalmoreprodukt, VBTRF, Vostoktransflot, Dalzavod, and others as concrete examples.

The deputies said that they had specific evidence of corruption, but that they would only provide it to a special commission so that the corrupt officials could not trace the sources. Nevertheless, Deputy Adam Imadaev named the Bor factory as one of the most recent examples of illegal intervention. Imadaev claimed that Deputy Governor Nikolai Korolev demanded that the judge examining the Bor case adopt a decision favoring him and when the judge refused to yield to pressure, he threatened to remove her from the case. The very next day, Primorskii Krai Arbitration Court chairman Sergei Chumakov signed the necessary order. As a result, 66 percent of Bor's stock was put under external control.

The deputies point out that Bor is still working successfully. Production has increased 150 percent over the last three years. And even though most of the profit remains in the hands of intermediaries, official statistics show that export earnings this year will be more than \$40 million.

The local branch of the Federal Security Service (FSB) has taken up an investigation of Bor's history, particularly looking at the role of the Moscow-based Alyans group in relation to the enterprise. In a letter to the chairman of the regional Legislative Assembly, the head of the krai FSB Valerii Zhilyaev wrote that "the main reason for the Muscovites' action toward Bor was the Alyans leadership's desire to take control of the mine and transportation units because they are the most profitable divisions of the firm and are assets that require the least amount of capital investment. According to their plans, the enterprise will be transformed to exclusively produce ore for sale to China, where there are facilities to produce boric acid. Such actions will destroy Russia's infrastructure for producing such products and cost most of the 4,500 factory employees their jobs."

The FSB called for removing the plant from bankruptcy proceedings since the current managers were simply using this procedure to gain control of state property. The FSB also called on the krai government to develop a program to help the enterprise overcome its problems.

For their part, the deputies called for further investigations of the other enterprises recently bankrupted in the krai. They also called for removing Arbitration Court Chairman Chumakov and Judge N. I. Klyuchnikov during the investigation. - Oleg Zhunusov in Vladivostok

## **BORDER ISSUES**

**CRIME ON RUSSIAN-UKRAINIAN BORDER GREW DRAMATICALLY IN 2003.** "The world went crazy" was the way that Valerii Vaganov, head of the Kursk

border guard division, described the criminal situation on his section of the Russian-Ukrainian border last year. During the course of 2003, the border guard detained 312 illegal immigrants here. In 2002, the number was just 20, one fifteenth of the total in 2003. "Russia is becoming a staging area for immigrants heading for western Europe," Vaganov said.

Most of the illegal immigrants are from China, India, and Afghanistan. The Kursk border guard detained the largest group in November 2003, stopping 53 immigrants from India and China. In July a group of 30 Indians was captured, heading for Europe, while avoiding all roads and checkpoints. They were all deported from Russia.

Vaganov described the transport of illegal immigrants across the border as a fully-formed illegal business. Residents of Ukrainian villages in the border region earn \$8,000 to \$10,000 for transporting such groups of illegal aliens across the Russian-Ukrainian border.

The other major problem on the border is contraband. The border guards confiscated 36 illegal shipments worth nearly 11 million rubles in 2003. This indicator grew by a factor of 5 from 2002. Usually Ukrainians try to ship into Russia spare parts, gasoline, diesel fuel, heating oil, food, cigarettes, and domestic appliances. They make large profits because of the vast difference in prices in the two countries. Drugs also make up one of the main imports. In one part of the region, officers found an opium field, hidden among corn stalks, a few hundred meters from the Ukrainian border.

The border guards had to resort to their weapons three times in 2003, up from just one incident in 2002. During the entire year, the border guard worked at a higher level of alert because of the increased criminal activities.

Another complicating issue for the border guard is that the border has yet to be demarcated, often making it difficult to show that someone has violated the international boundary. Some settlements straddle the border, with some streets in one country and others in a different country. Vaganov said that only a special agreement between the Russian and Ukrainian sides could resolve this issue. Another possible approach is the adoption of a regional law in Kursk defining the border zone. In the near future, Kursk Governor Aleksandr Mikhailov will introduce a bill to the regional legislature increasing the border zone from 5 kilometers to include entire raions. If this legislation is approved, the number of border violations in 2004 will likely increase greatly. - Sergei Sarychev in Kursk

## **PARTY BUILDING**

**FORMER ROSTOV YABLOKO LEADER JOINS UNITED RUSSIA.** The former chairman of the Rostov branch of the Yabloko party Mikhail Yemelyanov, considered one of party leader Grigorii Yavlinsky's closest allies among regional politicians, has joined the United Russia party and its parliamentary faction. Yemelyanov won reelection to the State Duma in December 2003 in Rostov's District 146. Yemelyanov is now the head of United Russia party in the city of Rostov-na-Donu.

The Rostov Yabloko branch traditionally was considered one of the strongest in the Russian Federation, a striking contrast to the party's generally weak structure overall and the low profile of other regional party branches. The strength of the Rostov chapter was built mainly on Yemelyanov's skills as a political leader. At the base of his policies

was maximal loyalty to the Rostov Oblast governor and the federal authorities. Against the background of Yavlinsky's oppositional stances, this feature of the Rostov chapter was also striking.

Given Yemelyanov's previous positions, his decision to join United Russia was not particularly surprising for local observers, but not all of them expected that it would happen so quickly. Yemelyanov decided not to tie his political future to the extremely doubtful prospects of building new liberal parties in Russia and instead latched on to an obvious winner.

With Yemelyanov's decision to join United Russia, there are no "democratic" parties left in the oblast. In May 2003, the oblast's Union of Right Forces (SPS) branch was essentially purchased by representatives of the Yugtransservis company and now is largely lifeless. The arrival of the new leadership provoked a mass exodus of the democratic activists at the heart of the party and paralyzed its work. The new leaders, seeking spots on SPS's party list, were not capable of running an effective campaign. The party won less than three percent in the region in the December 2003 elections.

Currently, the right side of the Rostov political field is vacant and, following the results of the December elections, there seems little prospect of creating a full-blooded liberal party. - Aleksandr Krasnov in Rostov-na-Donu

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Edited by Peter Reddaway and Robert W. Orttung

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**HIERARCHY OF POWER**

**PUTIN REPLACES KAZANTSEV WITH YAKOVLEV IN SOUTHERN OKRUG.**

On 9 March, President Vladimir Putin named former St. Petersburg Governor and former Deputy Prime Minister Vladimir Yakovlev as his envoy to the Southern Federal Okrug. Yakovlev replaced General Viktor Kazantsev who had served in this position since its creation in May 2000. Kazantsev had not anticipated his sacking.

Two factors likely drove Yakovlev's appointment. First, Putin, who could never forgive Yakovlev for betraying their mentor Mayor Anatolii Sobchak, removed him from the capital and reduced his role as an independent figure. However, Yakovlev worked closely with Putin in the early 1990s, when the president dealt directly with the redistribution of St. Petersburg city property, and might know some things about Putin's behavior then that the president does not want revealed now. Accordingly, Putin wants to make sure that Yakovlev is under control.

The other cause for the shift is connected to Kazantsev. He carried out his mission during Putin's first term when the situation required iron-willed leadership to bring the Muslim-dominated republics under federal leadership. However, Kazantsev was never able to develop real influence over the governors of Rostov, Krasnodar and Stavropol, the key ethnic Russian regions in his okrug. Additionally, his strict style of leadership was in principle effective and appropriate in cracking down on the separatists, but now is out of place is dealing with republican leaders who are not interested in opposing the Kremlin's force. Kazantsev has long had little influence in Chechnya and Yakovlev is unlikely to focus much of his attention on that region (gazeta.ru, 10 March). Moreover, many influential people in the region were concerned about the behavior of Kazantsev's subordinates, who allegedly were no different from other bureaucrats in their love for "gifts."

Regardless of the motivation behind it, the appointment of Yakovlev dramatically changes the political situation in the southern federal okrug. Yakovlev is a master of political intrigue, an area in which Kazantsev was extremely weak, and presents a serious threat in particular to the governors of Rostov and Krasnodar, who earlier never missed a chance to demonstrate their independence from the presidential envoy and assert their own political importance. Even if Yakovlev does not receive complete freedom in his activities (which most likely will be the case), his appointment arouses concern among the governors.

The most likely conflict will be with Rostov Governor Vladimir Chub. In 1999, Chub left Yakovlev's essentially anti-Putin Fatherland-All Russia bloc to join the pro-Putin Unity, ultimately ensuring that his region backed Unity.

Yakovlev will appoint most of his deputies after the presidential elections. These appointments will demonstrate how free he is in his actions and foreshadow the likelihood that he will become an independent politician in the southern district. However, in analyzing Yakovlev's moves, we must remember that Putin considers him a traitor for turning against Sobchak and even holds him indirectly responsible for Sobchak's untimely death. Most likely, Putin's appointment of Yakovlev as his envoy to the troubled south is simply the next step in a Kremlin effort to completely remove Yakovlev from the sphere of public politics. - Aleksandr Krasnov in Rostov-na-Donu

## **CORRUPTION**

**FAR EASTERN OKRUG OFFICIALS ARRESTED FOR BRIBERY.** On 7 November 2003, the Khabarovsk Krai court ordered the arrest of the head of the department of natural resource use and environment preservation for the Far Eastern Federal Okrug and the head of the similar department in the Khabarovsk branch of the Ministry for Natural Resources on charges of extortion and taking bribes. This was the first time that the Far East Federal District arrested such high level officials.

The two officials allegedly demanded one million dollars from the Amur gold mining company for a license to work land in the region. The investigators have a recording of a telephone conversation in which the accused supposedly organized the conditions of the bribe.

The okrug official, Sergei Krupetskoi, served as deputy mayor of Krasnodar from 1997 to 2001. Until his appointment as presidential envoy to the Far East in May 2000,

Konstantin Pulikovskii was an advisor to the same mayor and Krupetskoi is seen as one of his close allies. Pulikovskii suggested that the arrest might be a "well-planned provocation against the bureaucrats of this ministry." Several Moscow newspapers came to the defense of the accused, including *Rossiiskaya gazeta*, *Lesnaya gazeta*, *Novaya gazeta*, and *Moskovskii komsomolets*.

Following the arrest, the ministry sent a 60-member commission to the krai, a unprecedented size for such an investigation. Ultimately, the investigation concluded with the annulment of 56 licenses for resource use in the krai, according to an Interfax press release on 22 January.

The ministry's action could reduce the amount of gold mined in Khabarovsk Krai in 2004 alone by 3,597 kg and force the closure of recently opened mining operations. The action could reduce the flow of tax revenues to the krai budget and complicate the already difficult social situation in the region. The krai administration fears that Moscow won't listen to its appeals for a compromise in this case. - Yurii Rozhkov in Khabarovsk

## **RESOURCES AND FEDERALISM**

**NEW FORESTRY CODE SEEKS TO CENTRALIZE POWER.** This spring the Russian legislature is likely to adopt a new forestry code that will assert much greater federal control over Russia's timberlands. The federal government will manage these valuable resources, while day-to-day stewardship will be delegated to the regions. Minister of Economic Development and Trade German Gref claims that the new code will draw more investment to Russia's forests, increase exports of logs and finished forestry products, and make it possible to use these resources more rationally. In addition to strengthening federal control, the new code makes it possible to lease forestland for 49 years, greatly increasing the current limit of five years, through auctions. Extending the term in this way will make it possible to attract major capital investments.

Regional authorities in the heavily-forested republic of Karelia, however, are not happy with the plan. Yurii Ponomarev, the republic's deputy prime minister, charged on 9 February that the key problem with the draft code is that it distributes forestry land through auctions to the highest bidder. He argued that the results could be similar to fishing rights auctions recently held in Russia in which the best lots went to foreign companies, either directly or working through subordinate Russian firms. Ponomarev warned that foreigners likely would not invest in the industry or provide social support to the poverty-stricken villages in the forest zones. Moreover, he cautioned, regional governments would lose control over the process of harvesting forestry products.

Likewise, Karelia Governor Sergei Katanandov demanded that forestry developers be chosen on the basis of which bidder pledges the most money to supporting the industry, infrastructure, and social sphere. Some governors supported Katanandov's positions, while others such as the leader of Sakha, which does not derive significant revenue from the sale of forest products, backed the current draft of the code.

The Karelian leader said that if the code were adopted in its current form, the republic would take action to protect its interests. For example, if such a code is set to come into effect in six months, the republican government would auction off its 4 million cubic meters of forest immediately on the basis of an auction that took into account future investment and social sphere support. The new code would not be able to reverse these

auctions since it could not be applied retroactively. In this way Karelia will try to counter what it sees as a destructive federal policy. - Boris Matveev in Petrozavodsk

## **IRAN'S NUCLEAR PROGRAM**

**PSKOV AUTHORITIES BLOCK NUCLEAR MATERIALS SHIPMENT.** On the night of 23 November 2003, the Pskov highway authorities detained a truck carrying a separator for the nuclear power plant being built in Bushehr, Iran with Russian assistance. The equipment was on its way from the Ordzhonikidze factory in Podolsk to the St. Petersburg port. The cargo has remained on the edge of Pskov since being detained.

The Pskov authorities notified their federal counterparts of the seizure on the day that it took place. The federal authorities responded by telling them to hold the equipment until further orders.

Some observers believe that the Pskov authorities could have acted in agreement with Kremlin officials who did not want to implement Russia's contract with Iran to build the nuclear power plant until the US government determined the status of Iran's nuclear program. Others suggest that the Pskov road authorities wanted to attract the attention of federal authorities to their agency, which is in poor financial condition, or to secure a sizable payment from the company transporting the equipment. - Andrei Scherkin in Pskov

## **CASPIAN SEA**

**RUSSIA INCREASES MILITARY STRENGTH ON CONTESTED SEA.** All of the countries bordering the Caspian Sea are currently in the process of increasing their military power in the region. Over the past 10 years, the number of military ships on the sea has doubled, and military infrastructure on the shore has also grown. All of the Caspian countries fear that others will use force to gain control over the sea's political and economic resources (Nezavisimaya gazeta, 16 January).

Appeals by Azerbaijan and Kazakhstan to demilitarize the sea during the 1990s were never more than a good idea. The undefined legal status of the sea and the general distrust among the countries bordering it prevented such a peaceful outcome. Russia has consistently refused to abolish its Caspian flotilla, fearing that doing so would only lead to a destabilization of the situation. However, during the 1990s, Yeltsin never had a coherent national strategy for the Caspian. Rather, there was wide disagreement among various federal agencies and Russian companies about policy toward the sea and its energy resources.

The situation began to change with the arrival of President Putin, when Russia began to focus on the Caspian issue. However, the events of 11 September 2001 and the US response had the greatest impact for the area. Many began to advocate the use of force in resolving conflicts over oil deposits in the sea. Relations between Azerbaijan on one hand and Turkmenistan and Iran on the other began to deteriorate as they fought over deposits in the southern part of the sea. The Central Asian countries began to deploy fleets to protect their interests. In this regard Azerbaijan had an advantage because it inherited a part of the Soviet Union's Caspian fleet at the beginning of the 1990s. Turkmenistan, Azerbaijan, and Iran continue to build their forces and the unresolved

ownership of the deposits continues to be a point of contention between the countries and their national oil companies.

Astrakhan Oblast is playing a large role in Russia's military strategy in the sea. On returning from an unsuccessful summit of the Caspian countries in Ashkhabad in April 2002, Putin laid out Russia's military strategy for the sea and announced that he would build new ships to pursue it. Only now has the Russian press reported that Putin is implementing these plans. Astrakhan's independent newspaper *Volga* reported that the St. Petersburg firm Almaz has begun construction of an artillery ship. By 2015, there will be 10 such ships in the Caspian flotilla. Several other weapons systems are also under construction.

Astrakhan Governor Anatolii Guzhvin is in constant contact with Putin on the main aspects of Russia's Caspian policy and directly addresses military questions relating to the sea. At a September 2002 meeting of the State Council Presidium, Putin awarded Guzhvin with a prestigious military honor for his contribution to creating the Caspian flotilla. Putin credited Guzhvin's actions with "improving the situation in this region." (*Volga*, 26 September 2002). Most likely, Astrakhan will have a large future role in shaping Russia's Caspian policy.

Of course, actual conflict between Caspian countries seems unlikely. The success of border cooperation between Russia and Kazakhstan demonstrates that there is a non-military option for further Caspian development. - Arbakhan Magomedov in Ulyanovsk

## FOREIGN INVESTMENT

**ROSTOV FAILS TO ATTRACT FOREIGN INVESTMENT.** Rostov Oblast officials have sought to attract foreign investment from Finland, Sweden, and Denmark in recent weeks with little success. A trip by the region's economics minister gathered nothing more than an announcement by the foreigners that Rostov Oblast "undoubtedly has significant economic potential."

Three factors make foreign investment unattractive in Rostov. First is the on-going redistribution of property in the region in which the authorities pay little attention to the requirements of the law for property rights protection. Companies often change hands without proper sales. The continuation of this practice gives owners only shaky rights to their property and creates conditions for another redistribution of property in the future with similar legal violations. Deals made in these conditions can be declared illegal once a new governor comes to power. Similar processes are taking place in Ulyanovsk Oblast under Governor Vladimir Shamanov. In Rostov, such a danger exists in particular because of the political ambitions of the leadership of the office of presidential envoy to the Southern Federal District. Rostov Governor Vladimir Chub was only able to fend them off with great difficulty in the gubernatorial elections of 2001.

A second issue is that the most profitable enterprises of Rostov Oblast, which with a relatively small investment could quickly start to produce a profit, are already controlled by large Russian financial industrial groups. Chub and his allies have no levers over these firms. Russian big business prefer to extract profit from these companies themselves and are not inclined to share such income with foreigners. Using all possible political and economic methods, they block any potential undesirable competitors. Sharing risks is not an attractive option for them. Thanks to their good connections with

well-placed regional officials, these big Russian companies can obtain state orders, credits or subsidies without having to go through the process of a public tender. As a result, potential investors are usually offered second tier enterprises, which are not interesting to Muscovite investors.

If someone does invest in a local enterprise, then the third factor comes into effect. In Rostov, local businesses must make a large number of payments to a wide range of funds beyond just the usual bribes common in all regions. But, considering only the official payments, an investor must pay an additional dollar for each dollar of actual investment. Moreover, the poorly developed land and water transportation systems make it difficult to import or export agricultural produce from or to the region. The oblast leadership's paranoid fear of not having enough food to feed the local population also hinders such trade.

The oblast authorities have made no serious efforts to address these problems. Rather they merely talk about the oblast's economic potential and the need to improve its image. - Aleksandr Krasnov in Rostov-na-Donu

## **CONTRACT KILLING**

**FORMER KURSK PRIME MINISTER ASSASSINATED.** Assassins killed former Kursk prime minister Boris Khokhlov on 14 February. Since serving as former Governor Aleksandr Rutskoi's last prime minister, Khokhlov has engaged in a variety of business activities. The evidence suggests that this attack was a contract killing and the police have not been able to find the killers.

Most likely, Khokhlov's death was a result of his business interests. He owned several local businesses, including a nightclub and the Kursk vodka distillery. Possibly, by winning control of this factory, Khokhlov crossed the path of a Moscow-based business group that had sought to acquire it. Khokhlov had clashed with such groups when he served in the oblast government.

Khokhlov had to leave office at the end of Rutskoi's term when Communist governor Aleksandr Mikhailov came to office. He tried to find a new position on the staff of the Central Federal Okrug, but was unsuccessful. On 16 April 2001 he was arrested and charged with embezzling 8.6 million rubles from the Kursk nuclear power plant in 1997 when he served as the deputy general director of that enterprise. He also was charged with overstepping his powers in selling the state shares of the Kursk distillery in 1999, when he was first deputy prime minister. In 2002, he received a four-year sentence. Initially, he served his time in Orel Oblast and later was moved to a minimum security facility as the result of his good behavior in the first part of his term. This facility periodically gave Khokhlov short-term furloughs. It was during one of these that he was murdered.

Khokhlov's killing has frightened Kursk's business community because it is the first contract killing in the otherwise quiet region. - Sergei Sarychev in Kursk

## **REGIONAL POLITICS**

**ONCE ENEMIES, SARATOV GOVERNOR, MAYOR FORM ALLIANCE.** Once bitter enemies, Saratov governor Dmitrii Ayatskov and Saratov mayor Yurii Aksenenko

have now apparently formed an alliance as they both will face election in March 2005. Ayatskov will seek a third term, while the mayor will stand for direct elections for the first time in Saratov. Ayatskov, who has been in office since 1996, has just carried out a series of personnel shifts much larger than any he has made in the previous part of tenure. In the last two months, he has replaced three deputy oblast prime ministers.

The most interesting appointment is Konstantin Bandorin to the newly created post of deputy prime minister for public outreach and ties with political organizations and the media. Bandorin previously worked for the mayor as a campaign consultant. In the past, only disgruntled members of the governor's or mayor's staff would leave one for the other. Now the two teams are working together and Ayatskov has given up his effort to replace the mayor with an official under his control. His effort to promote his relative Yurii Moiseev in this role failed (see Russian Regional Report, 11 February 2004).

The alliance began in the Duma elections, when the mayor used the resources of his office to back the candidacy of United Russia's Vladislav Tretyakov, a famous hockey player, in one of the region's single-member districts. Ayatskov then announced that enmity between the governor and mayor "had never existed, did not exist, and would not exist" in a 20 January speech to city workers. Additionally, the mayor removed Dmitrii Udalov, who had particularly poor relations with the governor, from his team. And another ally of the mayor dropped his libel case against Ayatskov for saying that the mayor "surrounded himself with three-ruble crooks."

Ayatskov has a strong interest in consolidating the regional elite because he faces a real electoral threat from State Duma Deputy Speaker Vyacheslav Volodin, who was elected from a Saratov district in which he won more than 80 percent of the vote. Volodin once worked on Ayatskov's staff and is credited with helping the governor create a successful image during his first three years in office, 1996-1999. By allying with the mayor, Ayatskov can expect to use the resources of his office in the gubernatorial campaign. The mayor also expects to use the governor's resources to secure his own election. Bandorin will be the connection between the two teams as he will informally lead both campaigns. While this alliance is likely to be effective in preserving the status quo through the elections, it will most likely collapse immediately after the elections are over, with the two sides returning to their more familiar conflict. - Ilya Malyakin in Saratov

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## **DYNAMICS OF RUSSIAN POLITICS: PUTIN'S REFORM OF FEDERAL-REGIONAL RELATIONS, VOL. 1**

Edited by Peter Reddaway and Robert W. Orttung

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**CONSENSUS AMONG CRIMINOLOGISTS**

**RUSSIAN LEADERS FAIL TO DEFINE ANTI-CRIME PROGRAM.** Russia lacks a coherent policy for fighting crime was the consensus opinion among criminologists and law professors gathered at a conference dealing with current crime issues in Saratov 15-16 March. Many of the speakers, including the head of TraCCC's Saratov office Natalya Lopashenko, published an article in *Izvestiya* denouncing the revisions to the criminal code adopted in December 2003 ("Samyi gumannyi UK v mire," 6 March 2004). These scholars generally favor strict punishment for criminals and devote less attention to protecting the rights of the accused.

The recent amendments affected 266 of the Criminal Code's 372 articles, and the *Izvestiya* article castigated many of them as unwise. Most prominently, it slammed the code as being incomplete because it does not hold anyone accountable for some of the people seriously injured in the recent roof collapse at Moscow's Transvaal water park in which 27 people died and 110 were injured. The letter claims that the new law provides much harsher punishment for people who use drugs than drug dealers, who in many cases are apparently not liable to prosecution. Another problem with the new code is that it denominates fines in specific ruble amounts rather than terms such as the minimum daily wage that automatically increase over time with inflation. Using specific ruble amounts will require the legislature to amend approximately 30 percent of the code's articles on a regular basis in order to keep up with rising prices, a task that is obviously impossible. The authors also chastise the new criminal code for removing the tool of confiscation from among the weapons employed by the state against criminals. In 2001, the courts applied this punishment to 26,178 people, but the number who actually had to forfeit their

property was probably much smaller (see Russian Regional Report, 3 February 2004). One theory is that jailed Yukos leader Mikhail Khodorkovsky used his powerful lobby in the previous Duma to enact this change in order to protect his own property.

The scholars complained that the legislators did not heed their advice in adopting the new law. Yuri Golik, Director of the Center for the Study of Organized Crime at the Russian State Trade and Economic University, complained that often bureaucrats write the laws and make a mess of them. He pointed out that only seven of the current 450 Duma members have professional legal training. Many of the Duma members have direct ties to Russian businesses and often reflect their corporate interests in preparing legislation.

Sergei Milyukov, a professor at the St. Petersburg University of the General Procurator, complained that the best graduates from Russia's law schools do not go into public service, finding it more lucrative to work in the private sector. He noted that Russia is essentially a country at war and complained that there were no real laws to deal with this situation. He advocated restoring the death penalty for crimes like premeditated murder and distributing drugs. Many of the speakers called for tougher sanctions against repeat offenders, criticizing recent changes in the criminal code that made such punishments more difficult.

Sergei Denisov, a law professor at Yekaterinburg's Humanitarian University, argued that Russia should do a better job applying international norms in its laws. For example, he suggested that Russia should criminalize the use of public office to support a specific political party, not just for personal gain. In the recent State Duma and presidential elections, many public officials used their offices to back the Kremlin-sponsored United Russia party, a practice that would be criminalized if Denisov's proposal were adopted. According to the logic of Denisov's argument, Putin's 70 percent electoral victory on 14 March was partly the result of corruption. Another idea would be to define the provision of prostitutes to public officials as a bribe, an idea that is hotly debated now. However, Denisov pointed out that Russia has not ratified one treaty against corruption, though its representatives have signed several.

One crucial consequence of Russia's failure to define a coherent strategy for fighting crime is that thoughtful law enforcement officers are not sure what they should do. One regional representative of the newly formed state agency for fighting drug trafficking pointed out that the conference discussion left him with more questions than answers. Subsequent discussion suggested that the Moscow-based leadership of this agency is also at a loss over what to do. The leader of the new agency is Viktor Cherkesov, a close friend of Putin's and his former envoy to the Northwest Federal Okrug.

Andrei Kudryavtsev, a law professor at Voronezh State University, pointed out that Russia's tax inspectors have little interest in making the tax code user-friendly because then it would be difficult to collect bribes. As a result, the ministry has classified as secret some information explaining Russia's taxes.

In the field of human trafficking, Russia is in some ways ahead of the international community, according to Lyudmila Inogamova-Khegai, a professor at the Moscow State Juridical Academy. If a woman in Russia consents to go abroad for the purposes of working in the sex industry, her recruiters are committing a crime under Russian law. However, the same recruiters would not be liable according to international

conventions. Kazakhstan and Belarus passed provisions against trafficking earlier than Russia did, but so far no criminal cases have been registered under these parts of the criminal code, according to representatives of those countries. Usually crimes associated with human trafficking are prosecuted, if at all, under other parts of the code that do not specifically address the topic of trafficking.

While the population at large may support Putin as a guarantor of stability and the chance for improved living standards, most Russian legal scholars believe that the president did not do enough during his recently completed first term to articulate a clear set of proposals aimed at reducing the country's crime problem. - Robert Orttung in Saratov

## **CENTER-PERIPHERY RELATIONS**

### **PUTIN'S POSITION ON FEDERALISM DEBATED IN BASHKORTOSTAN.**

President Putin made an important statement on his future priorities in a Kremlin meeting with Presidential envoy to the Volga Federal Okrug Sergei Kirienko at the end of January. Since the statement came during the course of his campaign for a second term, regional observers have given it special attention. Speaking about center-periphery relations, Putin said that he had "not set as a goal a return to the super-centralization of the Soviet model." He said that the regions had gathered considerable experience in solving their own problems independently and warned federal agencies to abstain from excessive intervention into regional affairs.

This statement, broadcast by all of Russia's television networks, was clearly addressed to an audience much wider than Kirienko. Thus, in saying that he did not want to return to the Soviet past, Putin left the door open to various interpretations of exactly what he did want to do. Above all, his statement left observers unclear about how he wants to address the problem of centralization. Putin was ambiguous about whether he wants to preserve the seven federal okrugs as a long-term alternative to Soviet-style super centralization or abolish them. Moreover, he did not say if Russia's existing federal structure will continue to exist, a question that should be addressed since it is a copy of the Soviet model.

The answers to these questions are naturally of great interest to governors, particularly those who were able to concentrate great power in their hands. The federal government has frequently surprised regional leaders with its plans to limit their power. During the Yeltsin era, some Kremlin officials sought to abolish the Soviet-era division of Russia into territorially-defined regions and ethnically-defined republics. These reformers wanted to replace the 89 units, some based on territory and some based on ethnicity, with approximately 30 "gubernia" that would all be defined in territorial terms and therefore be more equal. However, on coming to power, Putin instead set up the federal districts, a project that was no less radical. He brought federal power closer to the regions and ordered the general procurator to bring regional laws into line with federal norms. This campaign did succeed in removing several claims to sovereignty in the laws of national republics like Tatarstan and Bashkortostan. At the same time, the idea of creating gubernia has not disappeared, as the process of combining Perm Oblast and the Komi-Permyak Autonomous Okrug demonstrates.

Regional leaders took Putin's statement as a description of his plans for his second term. The president's intention was apparently to convince them that they would not face a worst-case scenario. Putin has clearly not made a decision on exactly how he wants to proceed and most likely was trying to win the support of the regional leaders for the elections without letting them know how he would treat them after the voting was over. - Igor Rabinovich in Ufa

## **IMPRESSIONS FROM THE ROAD**

**BUSINESS, POLITICS CHANGING IN VOLGOGRAD.** The election of Yevgenii Ishchenko as mayor of Volgograd in September 2003 has catalyzed the changes already underway in the city. Most importantly, the new mayor is overseeing a redistribution of property in which new players are taking over from old ones. After taking office, the new mayor cancelled all leases on city property issued by the previous mayor and is in the process of redistributing these assets to new lease-holders. With Ishchenko's help, large Moscow-based companies are moving into the region. For example, Park House recently opened a large discount store, vying for consumers' attention with the St. Petersburg-based Perekrestok.

Ishchenko is an outsider to Volgograd, with roots in Moscow. He first ran for mayor in September 1999. Although he was not successful in that earlier campaign, he used the name recognition he gained in September to win a State Duma seat from Volgograd in December 1999. Having served his district well in the national legislature, Ishchenko was able to win the mayor's office four years later.

Moscow companies have been working in the region well before the change in city leadership. LUKoil, which owns the main refinery in Volgograd, is squeezing out independent gas stations operators so that it can sell gas to the region's drivers under its own brand name. Wimm-Bill-Dann, the national dairy and juice company, is becoming a major player in the agricultural sector and one of its subsidiaries now owns a significant share of the farmland in the region. Both LUKoil and Wimm-Bill-Dann have close ties to the Volgograd governor, working in particular through key members of his administration.

### Foreign Business

Foreign business has achieved differing levels of success in the area. Audi is opening a new showroom on land rented from Volgograd State University. McDonald's was not so lucky however. The hamburger giant wanted to open four restaurants in the city, but the Communist authorities refused to provide access to the well-populated locations that the fast food company wanted.

Other foreigners have found a more ingenious way to work in the region. Several European concerns have invested heavily in Wimm-Bill-Dann and, by working through this large Russian company, have gained access to regional resources that otherwise might be beyond their reach. The combination of foreign and Muscovite capital into a Russian company working in the regions is a development that is not widely known among the general public, so many people do not realize that foreign capital is already on the ground.

According to economic theory, foreign direct investment should have a positive impact on the target region - raising the level of competition, the quality of services provided, and the need for local officials to adhere to a consistent and well-known set of rules that does not discriminate against outside groups. However, if the foreign capital arrives indirectly through the form of a large Russian company, it is not clear what sort of impact it will have on the rule of law situation in the region.

## Corruption

Corruption is a problem here as in any other region. Local small and medium sized business associations have considered financing a campaign to reduce the level of graft among local officials, but they ultimately decided such an effort was not worth the money that it would cost. At least initially, funding such a campaign would mean spending money above what local business currently spends on bribes. Since the prospects for success in such a campaign are dubious, the business associations decided that it would be best to simply continue paying the bribes.

Arguments that an investment in such a campaign now would generate future benefits by cutting the cost of corruption over time do not work with local businessmen. In fact, the business community in the lower Volga region has always been slow to adopt new innovations. In the middle of the nineteenth century, Pavel Melnikov, a future czarist transportation minister, traveled to the US to investigate transportation systems there. After studying the Americans' use of steamships for moving freight, he tried to introduce similar practices in Russia. At that time, Volga businessmen used horse-drawn barges to drag goods to St. Petersburg. Such barges covered only 15 kilometers a day and could take more than a year to reach Russia's imperial capital. The business community refused to take up the idea of building steamships even though the ships would dramatically reduce transportation time and cost. The businessmen of the era argued that such ships would be unlikely to work on Russia's rivers. Ultimately, the state built the ships and demonstrated to the business community that they could be useful. Unfortunately, it is extremely unlikely that the Russian state could develop an effective anti-corruption policy that would ultimately be adopted by the business community as it did with regional shipping.

## The Regional Impact of Federal Cabinet Changes

The sacking of the Russian government and the appearance of new figures in federal office has had some consequences for Volgograd. According to *Moskovskie komsomolets v Volgograde* (17-24 March), the personnel changes destroyed the only functioning "vertical of power" - the one focused on lobbying. The firing of Presidential Envoy to the Southern Federal District Viktor Kazantsev is a sore blow to many local businessmen who had developed ties with him in hopes of gaining better access to federal resources. Most importantly, Governor Nikolai Maksyuta was counting on Kazantsev's help in winning another term in the gubernatorial elections set for December 2004.

The government changes are also a blow to the local branch of the pro-Kremlin United Russia party. The local party leaders, particularly top leader Oleg Savchenko, backed the nomination of Vadim Artyukhov, a Muscovite with no particular ties to the

region, as one of Volgograd's two representatives in the Federation Council, the upper house of the national parliament. Artyukhov was an attractive choice because he is the son of Vitalii Artyukhov, who was until recently the Minister of Natural Resources. Now that the minister has been sacked and under a cloud of suspicion as a result of allegations of misdeeds while he was in power, the oblast obviously will not benefit from having his son as one of its senators.

### Volgograd Elections

At 55 percent, Volgograd had the lowest presidential election turnout in the Southern Federal Okrug. The average turnout for Russia was 68 percent. The main source of problems for the region is apparently the poor relations between the governor and key mayors. In typical regions, the governor has firm control over the mayors and they are usually able to produce high levels of turnout. However, just before the elections, the city of Volgograd had to borrow 120 million rubles that it was supposed to get from the oblast in order to pay salaries (*Gorodskie vesti*, 20 March). This transfer was supposed to come from taxes designated for the city and paid by Volgograd enterprises into the oblast's consolidated budget, which the governor controls. Of course, tax revenue is usually not enough to cover city expenses, so the governor likely used the money for other purposes rather than transferring it to the city.

On 14 March, the same day that Russia was electing a president, Volgograd elected a new city council. The new city parliament doubled in size, growing from 24 seats in the past to 48 today. However, in the elections, voters only managed to fill 32 of the seats because "against all" was the highest vote-getter in the other 16 districts. Most of the voters apparently viewed the candidates as rich businessmen and decided to deny them the possibility of joining the city council as a way of furthering their personal business interests, according to the local press. Additionally, the previous members of the city council had discredited themselves and apparently the entire institution. Only four of the 17 members seeking another term were successful. - Robert Ortung in Volgograd, 18-20 March 2004

**KREMLIN, SHAIMIEV REACH NEW AGREEMENT IN TATARSTAN.** With the 2004 elections over and attention now focused on who will succeed Putin in four years, the Kremlin and Tatarstan president Mintimer Shaimiev are now mutually dependent on each other. Putin needs Shaimiev, or Shaimiev's chosen successor since Tatarstan's leader will probably not seek another term, to guarantee an acceptable electoral outcome in federal elections in the republic in 2008. By then, Putin's popularity will inevitably be much lower than it is today and the Kremlin will need to rely even more heavily on regional leaders to deliver the votes it wants. With the implementation of Putin's federal reforms, Tatarstan has also grown more dependent on the Kremlin. One symbol of this mutual accommodation is giant posters of Shaimiev and Putin smiling at each other against the background of Kazan's preparations to celebrate its 1,000th anniversary in 2005.

In general terms, little has changed in Kazan as a result of the federal reforms Putin implemented during his first term in office. Shaimiev still rules with complete control over the republic. His clan is made up of his family, friends of his family, ethnic

Tatars who are also from small villages, and competent staff members who are unquestionably loyal to the leader, according to the article on Tatarstan in the recently published book, *The Most Influential People in Russia, 2003*. This group dominates the political scene, controls all aspects of local business, including the key energy sector, and has blocked the arrival of large national companies into the republic. There is still no independent local government in Tatarstan. To the extent that there is a political opposition, it is based on Tatars serving in the federal government and the State Duma.

While much remains the same in the republic, Putin's reforms have brought some changes. Shaimiev is no longer a member of the Federation Council and the republic now sends the tax money it collects to Moscow. Although the federal government sends much of this money back to the republic in the form of federal programs, the republic is now more dependent on Moscow because the federal government could decide to stop this flow of money. While the republican leadership apparently lives in great fear of the Kremlin, Moscow is extremely unlikely to move aggressively against Tatar interests for fear of provoking unpredictable consequences.

The federal government apparently does not see any alternative to Shaimiev and worries that replacing him might lead to instability in the republic. For his part, Shaimiev guaranteed and delivered an overwhelming victory for Putin in the presidential elections and has, in this way, made himself indispensable to a federal elite that wants to extend its power past 2008.

Of course, the influence of the federal government on the ground is not extensive. Presidential Envoy to the Volga Federal District Sergei Kirienko has had little influence over events in Tatarstan. Between 2000 and 2003, Kirienko visited the republic only three times, and Shaimiev received him only once. The chief federal inspector has little influence, though his use of public complaint offices to gather information from the public has increased his clout somewhat. - Robert Orttung in Kazan, 21-22 March 2004

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Russian Regional Report  
(Vol. 9, No. 5, 6 April 2004)

A bi-weekly publication jointly produced by the Center for Security Studies at the Swiss Federal Institute of Technology (ETH) Zurich (<http://www.isn.ethz.ch>) and the Transnational Crime and Corruption Center (TraCCC) at American University, Washington, DC (<http://www.American.edu/traccc>)

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**COMBINING REGIONS**

**PARTIAL AGREEMENT IN TYUMEN, OIL REGION HOLDS OUT.** The battle for control of Russia's key oil and gas region has taken a dramatic turn in the last few weeks as the natural gas rich Yamal-Nenets Autonomous Okrug has apparently come to agreement with Tyumen Oblast about a merger, that so far leaves the oil-rich Khanty-Mansii Autonomous Okrug out. The effort to form closer ties between the oblast and okrugs, which are simultaneously part of the oblast and separate entities according to the Russian federal system, comes from Putin's larger campaign to reduce the number of regions in Russia from 89 to a more manageable figure. Perm Oblast and its component part, the Komi Permyak Autonomous Okrug, have already agreed to merge by the end of 2005. Additionally, a new law on regional political institutions that comes into effect by the beginning of 2005 is forcing the three governors who currently rule Tyumen Oblast and its component okrugs to come together (see Russian Regional Report, 3 February 2004).

Yamal-Nenets and Tyumen have held several meetings since the beginning of this year seeking to create a unified Tyumen Oblast. The governors have met repeatedly in the regional capitals of Salekhard and Tyumen and have signed several documents which amount to protocols of intention. Currently, the two sides are actively discussing ways to

merge the okrug and oblast budgets. The successfully advancing merger process between Yamal-Nenets and Tyumen has surprised observers because until just recently Yamal-Nenets was closely cooperating with Khantii-Mansii to preserve as much autonomy for the okrugs as possible.

Currently, only Khantii-Mansii is waging a battle for independence, but even its leader is treading very carefully. On 12 April a commission with representatives from the three regions is expected to present proposals on how to carry out the merger. Khantii-Mansii Governor Aleksandr Filippenko has proposed leaving the okrug government in charge of the social sphere, while a newly created body subordinate to the existing Council of Three Governors would handle overall development, industrial production, infrastructure, transportation, electricity, and the consequences of natural disasters. Filippenko claimed that his proposal would make it easier to prepare and implement the oblast budget.

Filippenko made clear, however, that he believes that the oblast budget supported by Yamal-Nenets does not serve the interests of Khantii-Mansii. He claims that Khantii-Mansii currently has income of 95 billion rubles, while Tyumen Oblast takes in 20 billion and Yamal-Nenets 40 billion. Starting at the beginning of 2005, the regions will receive smaller payments (only 5 percent) from the use of natural resources on their territory. In those conditions, Tyumen Oblast's income will be 7-8 billion rubles, Yamal-Nenets' 17-18 billion, while Khantii-Mansii will receive more than 70 billion from the raw material enterprises working on its territory. Filippenko sees the joint effort of Yamal-Nenets and Tyumen as an attempt to gain control of resources now managed by Khantii-Mansii.

On 31 March "representatives of Khantii-Mansii society" sent a letter to Putin asking him to intervene in the processes taking place in the region in order to protect the rights of the indigenous people living in Khantii-Mansii. The okrug's official news agency, Yugra-inform, has also launched a public relations campaign seeking to block the merger of the three regions. The okrug has sought to play the "national card" in its efforts, warning that the merger would lead to the destruction of the indigenous people. Currently the Khanty and Mansi peoples make up just 1.5 percent of the population of the okrug and their share within a merged region would be measured in the thousandths, according to Diana Gerasimova, a representative of the Mansi and an official responsible for indigenous peoples at Yugra State University, which was founded by the Khantii-Mansii Autonomous Okrug governor. In the larger region, she fears that no one will care about the traditions, culture, and language of the Khanty and Mansi peoples.

The Yamal-Nenets government made similar announcements before radically changing its position and agreeing to work with Tyumen Oblast. Therefore many observers view the Khantii-Mansii government's current actions as efforts to define the terms of a future deal rather than real intentions. Further evidence that a deal is likely comes from the fact that the Yamal-Nenets Autonomous Okrug government recently appealed to the Constitutional Court to test the validity of federal law on regional political institutions and the court found that there was no basis to question the law. Thus, the okrug governments have no basis for protesting the current merger process and have no choice but to continue the process of creating a combined oblast budget. - Yelena Arbatskaya in Tyumen

## **REGIONAL POLITICS**

**KIRIENKO TAKES AIM AT NIZHNI GOVERNOR.** With the presidential elections over, the two key centers of power in Nizhni Novgorod Oblast, Presidential Envoy Sergei Kirienko and Governor Gennadii Khodyrev, are now locked in battle to determine the outcome of the region's summer 2005 gubernatorial elections. It is possible that Kirienko would like to have the job himself since the position of presidential envoy seems to be losing its value of late. The two recent appointments of new envoys suggest that this position is becoming a form of political exile for fallen politicians: former St. Petersburg Governor Vladimir Yakovlev in the Southern Federal Okrug and former Deputy Prime Minister Ilya Klebanov in the Northwest Okrug.

The subject for the current round of fighting between the presidential envoy and governor are the results of the presidential election. Kirienko congratulated himself because the Volga Okrug had one of the highest turnout rates and levels of pro-Kremlin support in Russia. In Nizhni Novgorod Oblast, however, turnout was just over 50 percent, the worst in the entire okrug. Observers blame the problems on the governor, saying that he exerted too much pressure on the voters to support Putin. Moscow-based commentators, including Vyacheslav Volodin, one of United Russia's leaders, claim that the Kremlin might use the results of the elections to conduct a differentiated policy toward the regions, favoring those that produced the most support for Putin. There are even rumors that the Kremlin might seek the immediate removal of Khodyrev because of the election results. Immediately after the elections, the Kremlin summoned Khodyrev to Moscow. Some say that the meeting was to discuss the election results.

However, Khodyrev's staff claimed that the meeting was simply to discuss on-going issues. They claimed that the attacks on the governor were driven by nervousness among the members of Kirienko's team who feared that a possible reorganization of the okrug could cost them their jobs.

However, Putin has left Kirienko in his post and, during his meeting with journalists in Sochi 27 March, even praised Kirienko's innovative practice of holding competitions to fill positions on his staff. Thus, the first round ended without a decision as the Kremlin did not publicly criticize either of the sides.

On 1 April the governor launched a second round in the conflict. He took aim at Kirienko's program boosting the city of Nizhni Novgorod as the capital of the Volga Okrug. The program's goal is to refurbish the city, bringing it up to the status of a "capital," and increase the standard and quality of life of the citizens, particularly through combining the efforts of the federal, regional, and local authorities with those of business. The program has been in effect for one year and is run by a council subordinate to the presidential envoy.

Last year the governor cooperated with the program, but now has begun to distance himself from it. Various oblast officials and several regional experts announced that the program does not exist since there are no lines for it in the oblast budget and the existence of the envoy's committee has no legal basis. So far the envoy has not responded to these attacks. Most likely, though, the mud-slinging between the envoy and governor will only increase as the elections approach. - Rustam Bikhmetov in Nizhni Novgorod

**ILYUMZHINOV SEEKS NEW TERM, OPPOSITION WANTS HIM OUT.** On 9 March Kalmykiya President Kirsan Ilyumzhinov announced that he would seek another

term in office even though presidential elections are not scheduled until 2007, more than three years in the future. He explained his announcement by stressing that his ability to stay in office would serve as a stabilizing factor for the region. He has served as the republic's leader since 1993.

The opposition has other ideas: the executive committee of an extraordinary congress of the people of Kalmykiya is seeking the introduction of direct rule in the region by the Russian president (*Sovetskaya Kalmykiya segodnya*, 2 February), while the Rodnoi Krai movement has called for a referendum expressing no confidence in Ilyumzhinov (*Vremya Kalmykii*, 11 March). Both efforts have a dubious legal basis since neither federal nor regional law allows such procedures for removing the republican president.

The Kalmykiya opposition greeted the recent departure of Presidential Envoy to the Southern Federal Okrug Viktor Kazantsev with joy since it viewed Kazantsev as Ilyumzhinov's most powerful protector. However, it is entirely possible that Ilyumzhinov will set up good ties with the new envoy, Vladimir Yakovlev. On his appointment, Ilyumzhinov announced that he had long-standing good relations with Yakovlev (*Izvestiya Kalmykiyi*, 12 March). Following a meeting between Ilyumzhinov and Yakovlev in Rostov-na-Donu, the Kalmykiya branch of the Justice Ministry froze the activities of Rodnoi Krai for four months. While both Ilyumzhinov and his opposition backed the reelection of President Putin, the battle between the two sides is increasing.

Other factors have also had an impact on Ilyumzhinov's influence. He has apparently met the requirements of the backers of his last campaign. The company Itera has actively begun working in the region after receiving the license to develop 11 oil and gas deposits and the Tyumen Oil Company has effectively become the owner of several enterprises in the local construction and processing industries. However, during 2003, Kalmykiya's economic performance dropped considerably compared with output in 2002. Industrial output was 93.5 percent of the previous year, agriculture 85.5 percent, investment in basic capital, 34.1 percent, new home construction, 75.9 percent, retail trade, 96.6 percent, and real wages, 98.6 percent. Ilyumzhinov spent much of his time away from the region, handling his responsibilities as head of the International Chess Federation (FIDE), a position that he holds in addition to his responsibilities as head of the republic. - Vladimir Volgin in Elista

### **KOMI: UNPOPULAR GOVERNMENT PURSUES UNPOPULAR REFORMS.**

The government of Komi leader Vladimir Torlopov is so unpopular that it has no chance of returning to power in the elections set for December 2005. Torlopov's critics point out that the policies adopted by his government during the last two years have proven to be bankrupt. Ironically, however, this situation turns out to be useful for solving the complicated social problems facing the region.

In the past, the government could never resolve such difficult issues as forcing residents to pay full price for their communal services or closing money-losing coal mines because they always took into account the social and political consequences of such actions. Decisively following the economic logic in these cases inevitably would lead to a catastrophic drop in popularity and eventual loss in the elections. Therefore politicians repeatedly postponed adopting solutions to these problems.

The current leadership, however, already has extremely low ratings and no chance of winning the next elections, so it is free to implement any kind of reform. It is now implementing the right kind of reform.

The first step was to adopt a housing sector reform, duly approved by the regional parliament on 25 February, though with much griping from the deputies who shifted all blame for the policy onto the regional government. The thrust of the reform is to create state oversight over the heating and water supply company monopolists and to create market mechanisms in providing services to homes. The core of the reform is that the state will no longer provide subsidies for this sector. From 1 April, all residents of Komi must pay for 100 percent of the municipal utility services they use. To quell the rising protests, the government at the end of March agreed to provide supplemental income to public sphere employees whose income is less than the minimum standard for three months. The new requirements should improve the situation of Komienergo, whose customers owe it more than 2.3 billion rubles, one fifth of the republican budget.

The second step is closing two coal mines in the city of Inta. After shutting these mines, the city has only one functioning mine. Thus it is necessary to move people to other cities where they will be able to find work. So far, Inta Mayor Vladimir Shakhtin has refused to sign the documents closing the mines. Nevertheless, the mines are no longer working. However, the federal government refuses to transfer money compensating the miners and financing the closure unless the mayor signs the documents. The miners are demanding the money and speaking out against the mayor, while many city residents support him.

The republican authorities are also actively working against the mayor. The mining cities have become a major burden on the republican budget and the republican leaders hope to cut their losses. Neither the federal nor regional government has all the money required to move residents of the city, but this year they have promised three times as much money for this purpose as last year. While a wave of discontent is likely in the city, by the time it comes, a solution to the city's problems may already be under way.

If the current republican government is able to remove these two issues from the agenda, a future government may actually be able to implement a program aimed at developing Komi. The need to implement such a program has long been clear, but it has not been possible given the extreme social problems in the region.

With the weakness of the current political elite, most likely the next leader of Komi will come from outside the republic. Already the federal government is using the current leadership's weakness to impose its preferences on the republic. - Yurii Shabaev in Syktyvkar

## **CORRUPTION**

**REPORT REVEALS CHAOS IN IMPLEMENTING ADYGEYA BUDGET.** In 2003, the auditing arm of the Finance Ministry conducted an audit of how Adygeya implemented its budget in 2002, revealing extensive misuse of public funds. The results suggest that the Kremlin has not been able to exert reliable oversight over the regional bureaucracy which often spends public money in violation of the law. However, Moscow is able to audit the way money is spent. While the extent of federal oversight and its

efficiency are in doubt, the abuses that the federal authorities have uncovered are quite shocking.

The results of the audit were first released to a small circle of people. However, in the spring of 2004, the audit became available to the members of the regional legislature and they have made it available to a wider audience.

The abuses reached into all spheres of state management. Here we only produce a few examples:

-- 63 state and municipal enterprises made a profit in 2002 of 24.9 million rubles, but only 2.9 percent of these funds went into the republican budget.

-- The republic gets very little return for its investments. Earlier investments of 161.2 million rubles produced only 69,500 rubles in income in 2002.

-- Large amounts of money that should have been collected from renting municipal property went not into the city budget, but to the accounts of property committees in commercial banks (1.5 million rubles at the republican level and 16.2 million rubles at the local level). By setting prices too low, the city of Maikop failed to collect 6 million rubles in rent.

-- The republican budget law for 2002 allowed up to 15.4 million rubles to be issued in credits. However, in violation of federal law, the republican legislation did not specify the purposes for the credits, conditions for repaying the loans, or limits on their use. Many of the credits were abused. At the beginning of 2003, credits totaling 56.4 million rubles from 1999-2002 had not been repaid.

-- Auditors found extensive violations in every organization they examined. Federal money to help the republic recover from flooding in 2002 was abused, particularly funds designated for new housing. Money was not given to construction firms as defined by an agreement with the federal government, but to Adygeyastroizakazchik, which served as the single purchaser for construction work. This firm could not account for 103 million rubles in materials. It gave houses to people who did not deserve them and overcharged for the construction of schools, factories, and hospitals.

-- Even Adygeya President Khazret Sovmen's firm Vozrozhdenie could not account for how it spent state money designated for restoring infrastructure after the floods.

Similar problems were found in every sector of the republican government, from agriculture to healthcare. Although the Finance Ministry has the results of this audit, it has not shared them with the general procurator or the public at large. The auditors are preparing to conduct another audit in 2004. - Oleg Tsvetkov in Maikop

## **NORTH CAUCASUS**

**PUTIN SEEKS ECONOMIC SOLUTION TO RELIGIOUS, ETHNIC STRIFE.** In addressing the Social Forum of the Caucasus and South of Russia on 26 March, President

Putin signaled a change in his policies toward this troubled region. He stressed that the key to solving the cultural and ethnic problems of Russia's south lies in developing the economy. Putin admitted that the federal government and the regions themselves now pay little attention to economic issues and attracting investment. Putin argued that it once made sense for investors to avoid the region because it was too dangerous, but claimed that that was no longer true today. He asserted that all the preconditions for growth were in place: opportunities for small business, developed transportation corridors, agriculture, zones for resorts and tourism. He called on regional leaders to improve the conditions for business.

Hanging over the forum was the on-going conflict in Chechnya. Many young Chechens join the fighting against the federal forces not for ideological or religious reasons, but because they are seeking to make money in a situation of near total unemployment, following the war's destruction of the economy. On the current Chechen "black market" militia commanders presumably offer payment for every federal soldier killed and every piece of military equipment destroyed. Thus, in the North Caucasus, the economic situation is closely tied to questions of national security.

Most likely, one of the ways to neutralize terrorism economically that the government will examine is the conception of restoring Chechnya prepared by the Audit Chamber. The key focus of this plan is the creation of a special economic zone and the development of the oil industry. The plan calls for giving Chechnya's leaders a series of tax, customs, and other financial benefits, as well as the right to use the area's natural resources. In the past, all the income from oil production went to the federal government and only returned to the region in the form of subsidies. Even today, when most of the Chechen economy lies in ruin, this sum amounts to 1.5 billion rubles a year. Once oil production resumes, this figure could rise by a multiple of ten.

The hope is that economic growth and reviving the oil industry will create enough good jobs to reduce the attractiveness of terrorism. An even more important goal is to convince the official and unofficial leaders of Chechnya that legal business is more profitable than sporadic help from radical Islamic organizations. The Caucasus War of 1814-1876 was ended in just this way - failing to achieve a military victory Caucasus governor-general Prince Vorontsov began giving out gifts of money and the right to custom-free trade to the leaders of local tribes. This strategy proved to be more effective than a military approach. - Sergei Danilchenko in Krasnodar

## **PROTEST VOTE**

**ULYANOVSK FAILS TO FILL DUMA SEAT.** Voters in Ulyanovsk's 181st State Duma district again gave "against all" the most votes on 14 March, preventing the region from electing one of its Duma members. In the December 2003 elections, "against all" came in first place with about 20 percent. Three months later, 21.5 percent of the voters chose this option. The second highest vote getter was former governor Yuri Goryachev (13 percent), followed by Deputy Governor Gennadi Savinov, who represented the interests of the incumbent governor and the presidential administration (11 percent).

Results were similar in by-elections for the regional parliament, with only one of six vacant seats being filled. In those elections, the "against all" votes ranged from 28 to 38 percent.

The lack of trustworthy candidates with concrete plans to address the region's problems was the main reason cited by sociologists at the Perspective research center based at Ulyanovsk State Technical University. Other reasons included an overall lack of trust in the legislative branch, a lack of interest in the elections, poorly organized campaigns, and the voters' conscious use of the ballots as a form of protest against the authorities.

Governor Vladimir Shamanov blamed the Ulyanovsk mayor and city council whose recent disputes accompanied a rise in charges for communal services. He also attacked the "so-called independent media," which is very critical of the social and economic situation in the region. The day after the elections, the governor called on local businesses not to place ads in these papers. Regional Legislative Chairman Boris Zotov blamed the results on the poor relations between the governor and mayor and the lack of better candidates. - Sergei Gogin in Ulyanovsk

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## **DYNAMICS OF RUSSIAN POLITICS: PUTIN'S REFORM OF FEDERAL-REGIONAL RELATIONS, VOL. 1**

Edited by Peter Reddaway and Robert W. Orttung

"Who Rules Russia?" President Vladimir Putin's most ambitious reform program to date - his attempt since 2000 to reshape the Russian Federation, to centralize much of the power lost by the Kremlin to the eighty-nine regional governors during the 1990s, and to strengthen his weak grip on Russia's institutions and political elite - begs this question.

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**SPECIAL REPORT: MUSLIMS IN RUSSIA**

**BASHKORTOSTAN: FSB, TRADITIONAL ISLAM BLOCK ROAD FOR ISLAMIC EXTREMISTS.** Bashkortostan is the largest Muslim republic in the center of Russia, where 1.5 million Russians "counter" two million Tatar and Bashkir Muslims. Relations between them can be characterized as conflict-free co-existence. Centuries of living together and high levels of tolerance within the population make this situation possible. Many Tatars and Bashkirs are Muslims only in spirit. The majority never goes to the mosque, does not observe Muslim practices, and does not study Muslim texts. Islam is mainly concentrated in the older, rural generation that did not receive Soviet training in atheism. Most members of the population, especially in the cities, are indifferent to religion. Even the Russian "Taliban," Bashkortostan native Shamil Khazhiev, captured by American troops in Afghanistan in 2001, held at Guantanamo, and recently turned over to the Russian authorities, was not interested in Islamic fundamentalism. Khazhiev was an investigator for the local police in Ufa, where he graduated from the law department and went to fight for money.

The Orthodox and Islamic clergy play a positive role in preserving interethnic and inter-religious peace. During the Soviet era, the strong control of the state over spiritual life forced the clergy to be loyal to the authorities and cooperate with them. These practices continue today. The Orthodox episcopate and the chief mufti of Bashkortostan together perform their public duties in the Council on Religious Affairs under the auspices of the republican president, where they seek solutions to the problems of alcoholism and drug use, both of which are growing extensively, including among the Muslims, and especially among the young.

The political authorities and leaders of the traditional faiths work hand in hand to prevent the spread of radical Islam in Bashkortostan, particularly Wahhabism. Russian Chief Mufti Talgat Tadzhuiddin, whose residence is located in Ufa, claims that international Islamic organizations interested in undermining the influence of traditional

Islam and creating parallel structures opposed to the Russian state have tried to introduce Wahhabism among Russians in the area. Tadzhuiddin argues that traditional Islam helps foster patriotism and love and respect for Bashkortostan and Russia among Russian Muslims. Accordingly, the Russian authorities give special support to traditional Islam, seeing it as an ally against the influence of Islamic fundamentalism.

In recent years, the authorities have been concerned about a Turkish expansion into Bashkortostan. The similarity of the Tatar and Bashkir languages to Turkish helps facilitate this expansion because local residents do not need an interpreter to understand Turkish. Several years ago in Bashkortostan there was a legally operating network of Bashkir-Turkic lyceums, created at the beginning of the 1990s by the Turkish firm Serkhat. These schools trained more than 1,000 Bashkirs, chosen on the basis of competitions conducted by the company. The Turkish instructors inculcated the idea of forming a united Turkish people among their students. This nation would work under the auspices of Turkey, and Russian history and culture were not part of the curriculum. The Russian authorities regularly expelled Turkish citizens from Bashkortostan who were suspected of ideologically subversive work. Recently instructors from Egypt, Yemen, and Saudi Arabia seeking to organize Islamic schools for the young also were expelled. As members of the Federal Security Service (FSB) have demonstrated, these schools were recruiting fighters to be sent to Chechnya. Several of these from one of the schools in the city of Oktyabrsk were detained when they set off to Chechnya to join the group of field commander Shamil Basaev. Today all such schools have been closed. Only institutions that focus on traditional local forms of Islam remain. - Igor Rabinovich in Ufa

**ROSTOV: ETHNICITY, NOT RELIGION, MAIN CLEAVAGE.** There is no reliable information on the number of Muslims living in Rostov Oblast and their nationality. Data gathered as a result of the last census is not widely available to researchers. But even if it were published, its accuracy is dubious since it is difficult to trust any official data on this issue. As a rule, all illegal migrants and refugees are not included in this type of statistical research.

All state agencies in Rostov Oblast that deal with national and religious problems work with data they received as the result of a so-called micro-census based on surveys of 100,000 people. The overall population of the region is 4.5 million people. According to the latest data, gathered in 2002, of 26 significant ethnic groups, 7 are Muslim. Of the 100,000 person sample, they numbered: Chechens 632; Turks (Meskhetins) 578; Turks (Osmanly) 515; Dargins (and other peoples from Dagestan) 312; Azerbaijanis 220; and Lezgins 25. The vast majority of the population is Russian (87,885), followed by Ukrainians (3,374) and Armenians (2,312). In recent years, the previously insignificant population of Ingush and Adygs has grown. Migrations from Tajikistan and Uzbekistan also are important.

According to data from the law enforcement agencies, there are approximately 200,000 Muslims in the oblast and they are largely Sunnis. Among them are about 50,000 Tatars, 30,000 Chechens, 30,000 Azerbaijanis, Dargins, Avars, and representatives of approximately 80 other peoples. Among these are Uzbek and Tajiks, who currently are not active in public life. Despite their relatively large numbers, they are divided into small groups spread across the oblast's territory and do not have connections among themselves. This situation could change if the numbers of people in these groups

continues to grow. The authorities lack good information on the real numbers of migrants coming into and leaving the region. Migration issues are not as difficult for the Rostov authorities as they are for officials in Krasnodar Krai, though the situation is starting to deteriorate.

In Rostov Oblast, there is one officially registered religious organization which consists of a number of small societies. This organization is largely made up of Tatars and is headed by Mufti D. Bikmaev. There is also a Department of Muslims for Rostov and Russia's south. Bikmaev is in charge of this institution as well, but in practice only the Tatars recognize it. National cultural centers lead the religious life of other national Muslim societies. The most powerful of these are the Vainakh Chechen Cultural Center, Dagestani and Azerbaijani societies. They are closely tied to the national diasporas and receive funding from them. Though these centers do not recognize the authority of the Department of Muslims, they maintain full loyalty to the authorities.

The Rostov Oblast muftis maintain active ties with the secular and spiritual organizations of several Muslim governments, and have particularly good cooperation with Turkey and the United Arab Emirates. The Rostov authorities secretly but consistently monitor these links, fearing that they may be used to transform legal Muslim organizations into Wahhabite organizations. So far, however, this danger has not been realized.

In Rostov Oblast, there are relatively few conflicts between Sunnis and Shiites. In the region, ethnic conflicts reproduce themselves similarly to what exists in the native lands of the respective groups. Sometimes there are conflicts between Muslim societies, such as the Dagestanis and Chechens, but they are the result of ethnic rather than religious causes. The situation is similar between Muslims and Christians. Here the most important conflict is between Armenians and Azerbaijanis, but the cleavage is nationality rather than religion. There are practically no conflicts between the Cossacks and Muslims now.

Despite their relatively large numbers, the Uzbek and Tajik diasporas do not exert a serious influence on the situation in the oblast. Other groups do not react when illegal immigrants from these groups are deported.

A common Islamic identity does not play any kind of role. The societies are generally interested in their narrow national interests and not general religious concerns. Traditional forms of Islam are characteristic for Rostov Oblast. Attempts to convert such Muslims to wahhabism generally come from students studying in Rostov institutes of higher education, but their efforts are usually blocked.

The Rostov Oblast authorities have no general, well-thought-out policy for dealing with Muslims. The authorities intervene only when it is necessary to deal with a specific conflict. Only the intelligence services carry out preventative work with the goal of reducing the threat of Wahhabism. The administrative authorities do not play a role in these efforts. - Aleksandr Krasnov in Rostov-na-Donu

**PSKOV: GROWING MUSLIM POPULATION FACES DISCRIMINATION.** The overall population of Pskov Oblast in 2002 was 761,000 individuals, according to the census, down 84,300 from the previous census in 1989. Migration into the region only made up for one third of the losses. The number of Estonians and Jews in Pskov Oblast

was cut in half, while the number of Chechens, Azerbaijanis, and Armenians significantly grew.

In a recent interview, Said Dukaev, chairman of the Pskov branch of the All-Russian Islamic Congress, and an emigre from Chechnya, described the life of his community. "In my children's kindergarten there have been no problems because of differences in ethnicity and religion and I hope that there won't be any. But in the school, where Chechens I know send their second grader, who is about 8 years old, four older students, about 13-15 years old, beat him because he was Chechen.

"The position of the school's leadership was quite shocking. They interpreted the activities of the parents in defending the health and security of their child as an attempt to threaten the students who beat him. That the old students beat the younger one was a typical event for the teachers. The parents' efforts to defend their child was seen by the administrators as a threat of illegal revenge.

"We could appeal to the press, police, or educational establishment, and the administrators of this school would be in a difficult position. We said to them directly: 'You are raising fascists, and you yourselves are fascists if you raise such children.'"

Chechens living in Pskov Oblast observe traditional forms of Islam. There are no known adherents to Wahhabism. According to Dukaev, a former middle school teacher in Grozny, students' clothing should not differ greatly from each other in class. The French problem with Muslim students wearing head scarves to class has been artificially created, he claimed. It is possible to leave national traditions and region at home, Dukaev said.

Despite the fact that in the traditionally Orthodox Pskov there is not one mosque, emigres from Azerbaijan and Chechen note that the authorities' relations with them have improved in recent years. Previously, they were seen as suspicious and even representatives of the enemy, but now such relations are either neutral or favorable.

While continuing to run a small grocery store, Dukaev graduated from the North West branch of the Russian Academy for State Service, receiving his second university degree. His classmates, former military officers, heads of raion administrations, all ethnic Russians, did not have any trouble continuing their careers in the civil service. Unfortunately, however, refusal to hire people on the basis of ethnicity or religious beliefs remains one of the most important problems for Muslims living in Pskov Oblast. - Andrei Shcherkin in Pskov

**KOMI: MUSLIM MIGRANTS INVOLVED IN BUSINESS, CRIME.** Muslims first came to Komi in significant numbers in the beginning of the 1930s, when Komi was one of the key centers of the GULAG prison system. Many of the kulaks that Stalin prosecuted were Muslims. Tatars are the largest Muslim nation living in Russia and they made up the largest group of Muslims coming to the region.

In the mid-1950s the character of Muslim societies began to change. Instead of being forced to go to Komi, workers came to the region because it offered high levels of pay for the workers who came to labor at the forestry mills, oil refineries, and coal mines built by the prisoners. The Muslim community grew with even greater intensity in the 1970s, when the republic experienced explosive industrial growth, particularly in the forestry and oil sectors. Most important was the influx of migrants from the old oil regions, where there were many specialists who were no longer in demand since the development of those regions had already come to an end. Most of the emigrants came

from Tatarstan and Bashkortostan. From 1959 to 1989, the share of Tatars in the Komi population grew from 1.1 percent to 2.1 percent.

Emigres from the Caucasus and Central Asia also began to come to the region. Many set up their own forestry concerns which sent lumber back to their republics. An ethnic division of labor also began to play a role. During these years, Azerbaijanis, Georgians, and Armenians became the main traders in Russian city markets, with Azerbaijanis playing the major role. They filled a niche because the state system could not supply the population with southern fruits, vegetables, and flowers. Since the standard of living in Komi was relatively high in those years thanks to the higher salaries, it was profitable for southern clans to sell their produce there.

During this era, the Russian population began to develop different views of the different Muslim ethnic groups. The Russians came to see the Tatars and Bashkirs almost in a positive light, while developing negative attitudes toward those from the Caucasus and Central Asia. Many felt that the traders in the market overpriced their goods. Tatars and Bashkirs lived mainly in the northern cities of the republic and became closely identified with the local population since a significant number of the Tatars and Bashkirs living in Komi were born there. They quickly integrated into the majority population. The Caucasus groups, in contrast, lived in small groups spread throughout the republic. Their economic activity rarely intersected with the work of the larger population and few of them were born in Komi. Their involvement in retail trade made it possible for the local population to mark them as semi-criminals. The constant shortages of the Soviet era made it possible for them to engage in a variety of quasi-legal schemes and secure the kind of "non-labor" income that violated Communist tenets. Russians often identified Chechens and Azerbaijanis with corruption and crime.

This situation only became more pronounced with the collapse of the Soviet Union in 1991, when the Azerbaijanis who dominated all markets began to expand their control over retail trade and other spheres of the economy. The capital they had already acquired allowed them to considerably strengthen their position at the beginning of the period of privatization. In many cases they had to act aggressively and cruelly and as a result, Russia developed along the path of trade capitalism. The intense battle for survival in this period strengthened the Russians' impression of the southerners as corrupt and criminal. City authorities allowed crime groups to prey on the traders, warning that if they did not exert pressure on the southerners, they would buy everything up.

One might think that the multi-cultural nature of the Komi population would give rise toward tolerant attitudes to all members of the population, but that is not the case. Sociological studies show that many members of the population hold negative attitudes toward those from the Caucasus. The Chechen wars, increased levels of terrorism, and 9/11 have not improved the situation. In these conditions, representatives of such Muslim communities might move out of the republic, but again this is not the case. Even in the most difficult post-Soviet years the share of migrants from Turkic and Iranian peoples has remained strong and even grew. Since it is now necessary to move 150,000 from the dying northern cities of Inta and Vorkuta, the share of Muslims in the population will likely grow, since only Tatars and Bashkirs live in these areas now.

But even with these groups, the situation is constantly changing. In the beginning of the 1990s, Tatars and Bashkirs actively left Komi for their home republics because the situation in Komi's oil sector was extremely complicated. However, with the arrival of

Lukoil in the second half of the 1990s, and the long-term prospect of developing the Timano-Pechora oil and gas fields with sales to Europe and North America, the Tatar communities stopped shrinking and started to grow again.

Since the middle of the 1990s, the Muslim communities in Komi began to organize themselves and the Tatars and Bashkirs began to play the main role in setting up groups to represent their interests. These organizations have developed over a decade and have set up their main offices in the city of Usinsk, where the oil industry is headquartered. They have built a mosque in the city, have begun teaching Tatar children their native language, and now celebrate Muslim holidays. The Muslims in Syktyvkar have had a more difficult time because the local authorities have not been so accommodating.

While the Tatar and Bashkir leaders are mainly loyal to the authorities, relations with the Caucasus groups have not improved. The authorities keep close tabs on the Chechen and Azerbaijani populations in the republic. Many of the Azerbaijanis do not have Russian citizenship and turn to fictitious marriages to local women or seek to purchase Russian passports from corrupt officials in the passport office, creating a new form of illegal business for the republic. Local FSB chief Nikolai Piyukov held a press conference about such violations in the summer of 2003, drawing wide attention to the problem. Corrupt officials in the local Ministry of Internal Affairs apparently issued more than 2,000 falsified invitations during a three month period last year, allowing many illegal aliens to come into the country.

Rural residents also have a poor attitude toward the people from Caucasus, particularly since the representatives of the Caucasus are often viewed as rich, while local residents are extremely poor. Each year Caucasus traders purchase agricultural products (potatoes, berries, mushrooms) from local providers for extremely low prices. These traders are also increasingly setting up small logging companies that gather trees. There are now more than one thousand such firms. They often hire local workers for short-term jobs to gather trees that can then be sent on for processing. The traders pay very low wages for this work, while making large profits from the sale of the trees.

Despite this situation, attitudes toward Muslims are not simply the product of dealings with them in the trading sphere. The picture is much more complex. Many intellectuals think that the Russian authorities given unreasonable preferences to Russia's Muslim regions, such as the former free trade zone in Ingushetia and the large subsidies to Tatarstan. Many see Russia as on the front line in Europe's war against Islam, with the main points of attack being Albania and Chechnya, and the threat only likely to grow.

Nevertheless, as Komi begins to realize its various development plans, including mining for the aluminum industry and the construction of new oil and gas pipelines to Europe, migrants will flow to the region and the share of Muslims will likely increase. In these conditions, it is necessary to integrate them into local society, something only a well reasoned official policy can accomplish. Only through such integration will Komi reduce the threats a plural society potentially presents. - Yurii Shabaev in Syktyvkar

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**DRUG TRAFFICKING**

In March 2003, President Vladimir Putin created the State Committee for Combating Drug Trafficking (Gosnarkokontrol) to address the extensive flows of drugs through Russia. A year later, he addressed the committee to tell its members that the authorities had yet to find an effective solution to this problem. Below are three reports describing the situation in various parts of Russia: the Far East, the western border region of Pskov, and the Volga region of Bashkortostan.

**FAR EAST LEADS RUSSIA IN DRUG CRIMES.** The Far East has no reason to celebrate local success in fighting the drug trade. Despite the authorities' ability to detain tons of narcotics and make thousands of arrests in recent months, law enforcement officers estimate that they catch only 20 percent of the overall flows, while customers receive the rest.

One reason why the drug trade is so widespread in the Far East is the presence of an extensive raw material base in the form of naturally growing hemp, which is used to make marijuana, hashish, and other drugs. Of course, farmers also grow many of the materials necessary for narcotics. In conditions of extensive poverty in rural areas, people often resort to drug production in order to survive. With increasing frequency, many

people work on plantations for small salaries, while drug dealers sell the final product at huge profit. The low-paid workers fear losing even their meager incomes so they do not inform law enforcement officers about the illegal activities of their bosses.

On a relatively small plot of land, local growers can produce up to 10 kilos of dry marijuana. The result is that the Far Eastern Federal District has the highest proportion of drug related crimes: with 207.0 such crimes per 100,000 population in 2003, while the average for Russia was 125.7.

Both local and international groups are active in the region and they are involving more citizens in the business over time. The number of drug users in the Far East is also growing: the okrug has registered 45,000 such individuals, but the real number is much higher. Many have died from drug use.

The situation is so severe that Lt. General Viktor Parkhomenko, the head of the far eastern branch of the federal drug fighting agency Gosnarkokontrol, compares the region to drug-infested areas of Columbia. He points to the presence of drug cartels and drug lords in the region, though notes that they "work at a more modest scale." "We are not paying enough attention to this sickness," he says.

In the face of these problems, no one in the Far East has criticized Putin's anti-drug policies. The centerpiece of these efforts so far has been to shift responsibility for fighting the drug trade from the corrupt local police to a special federal agency focused on eliminating Russia's drug problem. So far, this move is viewed as a step forward. - Yuri Rozhkov in Khabarovsk

### **PSKOV OBLAST CHANNELS LOCAL, INTERNATIONAL DRUG FLOWS.**

Pskov Oblast's position on Russia's western border puts it front and center for drug traders, according to Oleg Fedorov, the head of the regional branch of the federal drug-fighting agency Gosnarkokontrol. The authorities note that well hidden organized groups with extensive international ties supplies drugs to the Russian market. Official statistics list 950 such groups and there are undoubtedly many more.

About one third of these groups are organized along ethnic lines, with the gypsies, Azerbaijanis, and Armenians being particularly active. They have organized the following drug channels, according to Fedorov: "All synthetic drugs are imported from Estonia and Latvia. Heroin and other drugs are brought from Belarus, facilitated by the lack of visa requirements on the Russian-Belarusan border. Cars and passenger and freight trains transport the drugs. Border guards have an extremely difficult time detecting such narcotics since they are hidden among forestry products, in freight containers, and in bags that look like sugar or flour. Border checkpoints conduct inspections, but usually we find drugs only by chance or through systematic searches." In addition, Pskov is a part of the drug route linking Afghanistan through Tajikistan to Western Europe.

The authorities have had little success in dealing with drugs in Pskov. According to official data, the number of drug users in the region is dropping. Fedorov does not believe these reports, however. He claims that drug use by both rural and urban youth is growing at a threatening pace. Federal drug officers frequently raid bars and night clubs and always find narcotics among their customers.

Fedorov claimed that his agency faces many obstacles, but refused to provide any details. Perhaps he meant that journalists are a major hindrance since many of them

criticize his agency's methods of work as openly provocative. For example, many Pskov veterinarians were shocked that several of their Moscow colleagues faced criminal prosecution for using a drug called ketamin in their practice. One veterinarian was arrested after being summoned to a Gosnarkokontrol agent's house for an ordinary operation on a cat when he started to apply the anesthetic. As a result, over several months numerous veterinarians refused to conduct operations on animals - facing a dilemma of either using illegal drugs and possibly being prosecuted or operating without drugs, which could be seen as cruelty toward animals, also opening them to the possibility of criminal prosecution.

During 2003 the Pskov branch of Gosnarkokontrol confiscated 11.8 kilos of narcotic substances, cleaned out 16 sites where drugs are sold, and prosecuted 8 individuals, one of whom was sentenced to 8 years in jail. During the first three months of 2004, the authorities have already filed 80 cases, 10 individuals have been sentenced to various periods of confinement, and 7 kilos of narcotics have been confiscated. During the spring, the authorities are planning to crackdown on local poppy and hemp fields, destroying any they find and arresting their owners. For many residents of this poor region, such crops are one of the only forms of survival. - Andrei Scherkin in Pskov

**BASHKORTOSTAN: A KEY CONSUMING, TRANSIT REGION.** Bashkortostan is one of the key regions in Russia for the consumption and transportation of drugs. The region's convenient geographical location, general economic success, and relatively high incomes facilitate this situation, according to Emir Nigametzyanov, the head of the republican branch of Gonarkokontrol. The extent of drug sales in Bashkortostan is much greater than in neighboring regions. However, local authorities claim that they only capture 10 percent of the drugs flowing through the area.

In 2003, the number of drug crimes rose in almost every Bashkortostani city and raion. Ufa, a city of nearly 1.1 million residents, had the largest number of registered drug-related crimes with 2,300. Healthcare providers have registered 5,100 addicts and 1,600 drug consumers. However, the real number of addicts is likely to be above 30,000, according to expert observers. In 2003, Gosnarkokontrol captured more than 90 kilos of narcotics and the pace is the same in the beginning of 2004. In the course of various anti-drug operations, the authorities in Bashkortostan have identified more than 5,000 crimes and filed 288 criminal cases. Two-thirds of those arrested are young people between the ages of 16 and 29.

In 2003, the Bashkortostani authorities sought to fight the drug trade by seeking to reduce the demand for narcotics among consumers. A key part of the program was to mobilize society against drug use. In Ufa and other cities, the organization "City without drugs" gathered information about drug sales from citizens through special telephone hotlines. A second group called "Mothers against drugs" helps families where children are addicted to drugs and conducts educational work. The republic's Ministry of Sport and Tourism has also organized such groups as "Volleyballers against drugs," "Kickboxers against drugs," and "Judo enthusiasts against drugs." Even local youth theaters are presenting plays with anti-drug themes.

However, the republic's leadership has determined that these efforts are insufficient and has launched a new program entitled "Bashkortostan against drugs." The authorities hope to attract the UN as a sponsor. The project, developed by the republican

branch of Gosnarkontrol and two think tanks, seeks to improve laws outlining measures to prevent drug use, form civil society movements against drug use, and increase the effectiveness of the authorities in combating the flow of drugs. The authorities plan to recruit large companies doing business in the region as financial sponsors of the new project. - Igor Rabinovich in Ufa

## **RULE OF LAW**

**ROSTOV OFFICIALS REFUSE COURT ORDER TO HELP VETERANS.** A group of veterans from Russia's military, police, special services, and emergencies ministry has successfully sued Rostov Governor Vladimir Chub and Rostov-na-Donu Mayor Mikhail Chernyshov for their decision to ignore a federal law requiring the region and its municipalities to provide subsidies to the veterans to help them pay for such communal services as heating, light, and sewers. Although the federal government mandates that the regional and local levels provide these benefits, the governor and mayor said that they simply did not have the funds to provide such subsidies without federal help. Such federal aid is not forthcoming. Ironically, both before and after announcing their decision not to help the veterans, the regional and local authorities have claimed that their budgets are in good shape.

Troops currently serving in the affected agencies will also lose their benefits, but their commanders have forbidden them to protest. When the veterans, who are not confined by the chain of command, took the regional and local authorities to court and won a decision against them, they greatly turned up the heat in the conflict. The officials simply refused to implement the court decision, saying that the only law for them was the order of their immediate superiors, not the decision of some court. Now the courts are issuing decisions requiring the bureaucrats to obey court orders and the bureaucrats are simply ignoring these as well.

Perhaps most interestingly, the leaders of all the agencies whose employees are affected by these decisions are seeking to maintain good relations with the governor and mayor. Most likely the officials' actions against the veterans will have consequences during the next mayoral and gubernatorial elections. Service members and their families make up a significant part of the electorate and could support the opposition. Such a decision would reduce the usually extensive advantages of incumbency and could transform the political situation in Rostov. - Aleksandr Krasnov in Rostov-na-Donu

## **BORDER ISSUES**

**EXPANSION OF NATO, EU PROVOKE PSKOV FSB.** The head of the Federal Security Service's Pskov border guard unit Andrei Martovitskii has given several interviews to the local media denouncing the inclusion of Estonia and Latvia into NATO. He has pointed out that the Danish air force is stationing 4-6 F-16 fighter planes in the Baltic countries, emphasizing that if they are based in Tartu it will take them only 6-10 minutes to fly to Pskov or St. Petersburg. He charged that "through their actions, the NATO commanders seek to create tension between Russia, on one hand, and Latvia and Estonia, on the other, and on the Russian-Latvian and Russian-Estonian parts of the

border." He points out that it is particularly important that Latvia and Estonia have yet to sign agreements regulating their borders with Russia.

However, such alarmist views are not universally held. At a local conference examining the possibilities and problems of cross border cooperation with the European Union, St. Petersburg State University Pro-rector Stanislav Tkachenko, noted that NATO presents no real threat to Russia's security. "Four NATO planes patrolling the airspace over the Baltic countries will not change life in Russia one iota. However, if the flows of heroin coming from Central Asia increase, that is another story." He noted that Russia and Europe have a common enemy in international terrorism, unpredictable regimes, and the proliferation of weapons of mass destruction.

Another potential consequence of the Baltic countries joining the EU is likely to be a sharp increase in prices in Latvia and Estonia. As a result, there will likely be more attempts to cross the border for the purpose of delivering contraband goods from Russia. Latvian Minister Maris Gulbis is also expecting greater flows of narcotics into his country.

Despite these problems, the Pskov Oblast authorities still express hope for close cooperation with the European Union, particularly in the areas of trans-border trade and potentially creating a Euroregion with Latvia and Estonia. But the authorities are not pursuing this policy very consistently since they allow the media that they practically control to print articles more reminiscent of the cold war than the twenty first century. - Andrei Scherkin in Pskov

## **RELIGIOUS FREEDOM**

**MORDOVIYA CRACKS DOWN ON JEHOVAH'S WITNESSES.** On 26 March, the city of Moscow won a court case allowing it to ban the activities of the Jehovah's Witnesses within city limits, according to a report in the *Toronto Star* reproduced in David Johnson's Russia List. The article describes the Jehovah's Witnesses as zealous evangelizers that are often a test case for religious freedom. The authorities in the Volga republic of Mordovia are now similarly cracking down on them.

The population of the republic is approximately two-thirds ethnic Russian, one-third Mordovan, and about 5 percent Tatar. Orthodoxy is the main religion in the region. The church has 281 organizations that represent it in Mordova; Islam is in second place, with 34 organizations (credo.ru, 30-03-2004, 21:34). The other religions have insignificant numbers of members, though many groups of evangelical Christians are represented. Overall, the situation in Mordovia was relatively quiet, with all groups conducting themselves peacefully and in conformity with the law, according to Marina Semushenkova, an employee of the Mordova Justice Department (*MK v Saranske*, 7-14 April 2004).

However, a campaign against the Jehovah's Witnesses began in Saransk on 18 April. First, there was a large article in the newspaper *Vechernii Saransk* (7 April) under the headline "Jehovah's Witnesses force their adherents to sell their apartments." The Mordovan Orthodox diocese and the pro-Putin youth movement Moving Together (*Idushchie vmeste*) declared that, in their opinion, the Jehovah's Witnesses work against all states, literature, birthday celebrations, sports, and even family institutions. Sergei

Kulakov, a representative of Moving Together, said that his group would take all action possible to suppress the activities of the Jehovah's Witnesses.

On 18 April, near the Rossiya movie theater where the Jehovah's Witnesses meet, there was a street demonstration in which protesters held up signs declaring the religious group a "totalitarian sect" and accusing it of having offered friendship to Hitler. Two dozen youths wearing T-shirts with pictures of Putin held up the signs. Local television broadcast a report about the demonstration on 19 April at 8 pm. *Izvestiya Mordovii* published an article on 20 April entitled "Jehovah's Witnesses, Leave Mordoviya!"

The authorities have not accused the Jehovah's Witnesses of violating the Russian constitution or any laws in the region. - Vasilii Guslyannikov, Chairman of the Mordovan Republican Human Rights Center, in Saransk

## **POLITICAL PARTIES**

**TYUMEN GROUPS ORGANIZE AGAINST COMMON FOE.** On 20 April in Tyumen, the leaders of the local Union of Right Forces (SPS) and Yabloko, Vadim Bondar and Viktor Filatov, organized a meeting among representatives of democratic parties and movements in Tyumen Oblast to set up a new democratic organization to oppose the powerful incumbent party United Russia. The meeting served as the founding session for a coalition of democratic groups to be called the Democratic Forum. Yabloko leader Filatov declared that the differences between the groups were behind them.

The organizers plan to invite other democratic groups to join their common effort. However, activities by such groups have not been visible lately, so it is not clear that such organizations actually exist and could be incorporated into the new movement.

The founding meeting of the new coalition adopted a four-year agenda which called on liberal democratic groups to unite in any form in order to create their own agenda, which would serve as "a convincing alternative not so much to the course of the current authorities, which at least in declaratory terms coincides with the basic principles of democracy, as the practical deeds of these authorities."

The main enemy for the new group is not so much "yesterday's Putin," but the United Russia party of power, along with its allies and the bureaucracy. The new organization set several concrete tasks for itself, including monitoring the activities of the oblast дума; creating discussion clubs, youth organizations, and expert councils on such topics as the development of the Tyumen city; founding a liberal university and school for young politicians; and publishing books with liberal themes. The Forum also set up a working group to coordinate the activities of all its members in upcoming elections.

At the same time, SPS, Yabloko, Rodina, and numerous leftist parties created a new organization called the "Political Conference of Tyumen Oblast." The main purpose of the new organization is to combine forces not only on the right, but across the entire political spectrum against United Russia. The Conference is a consultative organization for all political parties, unions, and social organizations working in Tyumen.

The organizers stress that a common opponent rather than shared goals have brought them together. The organizational committee's resolutions pointed out that in the current conditions when United Russia has a political monopoly, one party from either the left or right cannot change the situation. Therefore, the various parties have decided to

pool their resources to fight "the process of monopolizing political life in Tyumen Oblast."

Among the practical tasks the new group set is to take the Civic Forum away from the control of the authorities and set up a new arena where different social groups can interact independently of the authorities. Additionally, the parties in the Conference plan to coordinate their activities in the single-member district elections in the upcoming Tyumen Oblast Duma elections. The group hopes to prevent situations where left and right fight in a district and the centrist United Russia is able to win as a result.

Unfortunately most of the media in Tyumen ignored the appearance of the new organization. The authorities, who control most of this media, most likely decided that it did not serve their interests to cover the efforts of the opposition to better organize itself.  
- Yelena Arbatskaya in Tyumen

## **BUSINESS AND POLITICS**

**ADYGEYA PRESIDENT'S CRONY IN TROUBLE.** During the Yeltsin era, the press frequently discussed the "Family," tracking the mutually beneficial links between close relatives of the president and representatives of big business. Little, however, was known about the local "families" of regional leaders, except in the unusual cases of Kalmykiya's Kirsan Ilyumzhinov, Bashkortostan's Murtaza Rakhimov, or Moscow Mayor Yurii Luzhkov. Nevertheless, enough was known for many in the general public to assume that Russian capitalism was based on clan ties and that success in business was determined by one's ability to make an agreement with the authorities. Informal relations of mutual support between the authorities and favored businesses were almost the only possible means for entrepreneurial success in Russia's "market." In the North Caucasus, informal familial relations have always had great importance.

Toward the end of his first term, Putin began to crack down on Yeltsin's family. Recent events in Adygeya suggest that the federal authorities may be launching a cautious campaign against the republic's regional family as well.

Does this mean that the Kremlin is going to crackdown on regional corruption? It is well known that the regional leaders did a lot to guarantee victory for the pro-Putin United Russia party in the December 2003 State Duma elections and the 2004 presidential elections. Loyalty to the Kremlin is perhaps the main rule for regional leaders in the age of "managed democracy." As in the past, the leaders expect to be rewarded for their loyalty, including the right to conduct family forms of business. For this reason, the Kremlin has yet to declare a serious battle on corruption around Russia's governors.

Against this background, Adygeya may be an exception. The police have charged recently fired republican presidential advisor Shamsutdin Tuguz, a nephew of Adygeya President Khazret Sovmen. At Sovmen's command, Tuguz headed the firm Vozrozhdenie. Sovmen openly lobbied the interests of this firm, at one point telling the republican legislature that it was his firm and asking them not to touch it.

By filing charges against Tuguz, the republican police are attacking the president's family business. The police are charging Tuguz with misappropriating 350,000 rubles from the firm, according to the opposition newspaper *Zakubane* (no. 6, March 2004). The police are also charging him with fictitiously employing four individuals at the firm, including the wife of the former head of the republic's Security

Council Oleg Yepatko. Both Tuguz and Yepatko played major roles in the rebuilding efforts following the 2002 flooding in the republic, a job in which considerable amounts of money remain unaccounted for.

The case has yet to go before the courts, which will determine Tuguz's guilt or innocence. Sovmen has made many contributions to the Putin administration. In 2002, he had the republican legislature appoint Putin ally Andrei Vorobev, the head of the interregional social foundation to support the United Russia party, to the Federation Council. In 2003 he actively supported the party's State Duma campaign as a member of the party list. As a result, Vorobev became a member of the Duma, when Sovmen stepped aside to continue serving as republican president. Likewise, with Sovmen's support Adygeya elected another United Russia party member from its single-member district seat in the December 2003 elections. Sovmen has also made numerous contributions from his personal fortune to a variety of projects in St. Petersburg, the president's hometown. - Oleg Tsvetkov in Maikop

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### **COMMENTS AND QUESTIONS**

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**CENTER-REGIONAL RELATIONS**

**BASHKORTOSTAN REFUSES TO ACCEPT FEDERALLY APPOINTED PROCURATOR.** The federal government has not been able to appoint a procurator in Bashkortostan since December 2003 because Bashkortostan President Murtaza Rakhimov has steadfastly refused to accept any of the candidates General Procurator Vladimir Ustinov proposed. The conflict between the federal and regional governments is a challenge to the federal government's efforts to impose greater federal control over law enforcement agencies in the regions.

The former republican procurator Florid Baikov resigned in December 2003, citing health reasons. In January Moscow offered Rakhimov three choices as part of the consultation process in picking a successor: Bryansk Oblast Deputy Procurator Aleksandr Stupak, Altai Krai Deputy Procurator Nikolai Popov, and Astrakhan Oblast Deputy Procurator Igor Korovin. However, Rakhimov would prefer to have one of his own allies in the position, namely Ramil Iskuzhin, the deputy Bashkortostan procurator whom Rakhimov appointed as acting procurator in December.

Although Rakhimov does not like any of the choices that Russian General Procurator Ustinov offered him, he did not want to enter into a direct conflict with

Ustinov. Therefore Rakhimov had the republican parliament, which he controls, reject the three federal choices. The republican constitution gives the legislature the right to issue a veto on the procurator's appointment. In this way, Rakhimov and the republican legislature made it clear that they would not accept any candidates from outside the republic. Marat Kharisov, the chairman of the committee on legislation, state building and judicial issues, argued that the three candidates "are not familiar with the situation in the republic and do not have the necessary knowledge about its legislative system." He warned that appointing an outsider to this position would reduce the quality of the procurator's work ([news.nashbryansk.ru/article/6697](http://news.nashbryansk.ru/article/6697)). Of course, if only local candidates are acceptable for the job, then Rakhimov rather than the general procurator would have the upper hand in making the appointment. Rejecting a candidate simply because he is not from Bashkortostan significantly restricts the federal government's power in making appointments to federal positions, but it does not formally violate the Russian constitution.

According to article 129.3 of the Russian constitution, the general procurator appoints regional procurators with the approval of the regions. On one hand, the basic law shows that Russia is a federal state, on the other, it makes clear that the procurator is a clear hierarchy, with lower procurators subordinate to higher procurators and ultimately the general procurator. However, the Bashkortostani authorities have used these contradictions in the constitution to prevent the federal government from controlling this office. The republican constitution adopted on 24 December 1993 declared that the republic appointed and removed the procurator without any federal participation. Only in November 2000 did the federal government succeed in forcing the republic to amend the constitution so that its role was only approving the procurator's nomination.

The republican authorities sought to control the procurator in practical deeds as well. In 1995, after the general procurator appointed deputy procurator of Ulyanovsk Oblast Yurii Titov as Bashkortostan's procurator, the republic reappointed him, but this time in line with republican procedures and according to the republican constitution. This was a symbolic act since Titov had already been appointed procurator. But in going through the motions again, the republican authorities let Titov know that his real boss was in the Bashkortostani capital of Ufa rather than in Moscow. When the republican authorities came into conflict with Titov, they were able to secure his removal by gathering pictures of him with prostitutes, just as the federal government had also obtained pictures of the opposition minded procurator general Yurii Skuratov. The fact that the republican authorities went to such lengths to control the republican procurator, ranging from using the text of the republican constitution to political blackmail, show how important they believe it is to be sure that the republican procurator is subordinate to republican interests.

After Putin took office at the beginning of 2000 and began his policy of strengthening federal control over the regions, Bashkortostani authorities twice were able to appoint their choice as republican procurator. The first appointee was Yavdat Turumtaev, who had served as deputy to Titov and replaced him in spring 2000. Following Turumtaev's departure, the procurator was Baikov, serving from May 2002 to December 2003. He had earlier been the deputy republican procurator and held the special trust of Rakhimov.

Today, by blocking the appointment of a new procurator in Bashkortostan, the local authorities are disrupting the federal government's plan to rotate procurators from region to region so that they are not beholden to local interests. The federal plans directly contradict the Bashkortostani objectives. Regional leaders naturally want the ability to control the law enforcement agents in their region by appointing and removing them. The federal government instead seeks direct vertical control.

At the moment, it is not clear which side will prevail. The federal authorities are acting carefully. Like Rakhimov they have also appointed an acting procurator in the republic in the person of Mikhail Zelepukin, 38, the procurator of the city of Balakovo in Saratov oblast. He is new on the job and studying the situation in the republic. Most likely, future developments in this conflict will depend on his actions. - Igor Rabinovich in Ufa

### **UNITED RUSSIA PARTY DECLARES WAR ON SARATOV'S AYATSKOV.**

Although Saratov's gubernatorial elections are more than a year off, the main contours of the election are starting to take shape. The two contenders are incumbent governor Dmitrii Ayatskov and Deputy State Duma Speaker Vyacheslav Volodin, who once served as Ayatskov's deputy and "right hand man." At this early stage of the campaign, the main arena of battle is the oblast's United Russia party. Volodin has effectively carried out a coup in the regional party branch, snatching it out of the governor's control and transforming it into one of the main instruments he hopes to use in securing victory.

Volodin achieved his success by filling the regional branch of the party's April conference with his supporters. As a member of the party's federal leadership, Volodin managed to secure victory by warning that Governor Ayatskov was trying to use his administrative resources to gain control of the party. Not only did Volodin ensure that his allies made up a majority of the delegates to the conference, but he also excluded from the party the three members of the oblast political council who most actively backed Ayatskov (gubernatorial chief of staff Aleksandr Durnov, Deputy Chairman of the Saratov Social Chamber Leonid Karagod, and Deputy Chairman of the oblast industry, science, and technology committee Aleksandr Yakovlev). The party's general council removed these three, citing them for "violating the party charter and numerous acts discrediting the party."

The party conference elected a new leadership body that effectively excludes almost all of the governor's supporters. The results were so disastrous for Ayatskov that at several subsequent press conferences, he said that he might recommend all mayors to leave the party, depriving it of a key administrative resource.

In his speech to the conference, Volodin announced that the federal party leadership is not happy that two non-United Russia deputies currently head two committees in the Saratov Oblast Duma even though the United Russia faction makes up a majority of the deputies. These committees are on social policy and state building and local government, headed by non-partisan Aleksei Poleshchikov and Communist Sergei Bogomolov, who has only tenuous ties to the party. According to local observers, the moves against the chairmen is Volodin's answer to the events of December 2003, when two of his key allies were removed from leadership positions in the oblast дума.

However, the oblast дума has yet to make any changes among its leadership. United Russia has no real influence on its own. Its only resource is the popularity of

President Vladimir Putin, but this factor does not have great influence in regional conflicts. In the regions, the regional elite give United Russia all of its resources. By fighting with the governor, the Saratov branch of United Russia risks losing all influence in the region. In fact, most of the members of the United Russia faction in the oblast дума are really allies of Ayatskov and therefore Volodin's efforts to influence them through the party are likely to fail.

As Ayatskov pointed out at a recent press conference, the party itself only elected three deputies to the oblast дума. He said that his allies only made a faction with the party to show their respect for the party's national organization. In fact, many members of the oblast дума faction are not even members of the party.

In short, thanks to Volodin's actions, Ayatskov will most likely have to campaign for another term as governor by running against the United Russia party of power. His success will depend largely on whether or not Putin wants to intervene in the elections or remain an observer. Putin's direct intervention would greatly increase Volodin's chances, while his refusal to do so would help Ayatskov. An Ayatskov victory would lead to the complete disintegration of the United Russia party in Saratov Oblast. - Ilya Malyakin in Saratov

## **REGIONAL POLITICS**

**OPPOSITION GROWS TO NEW TVER GOVERNOR/BUSINESSMAN.** Tver Governor Dmitrii Zelenin, a former executive with Vladimir Potanin's Norilsk Nickel, recently marked 100 days in office. According to outside appearances, the political situation is calm in the oblast as the new administration has set up its new staff and has been looking after day-to-day issues. However, it is gradually becoming clear that there is a brewing conflict between the governor and Legislative Assembly Speaker Mark Khasainov, who is working in alliance with some of the regional elite who have not found a common language with the new governor.

An article entitled "One Hundred Days of Solitude" by the journalist Sergei Vladimirov seems to be a manifesto of the incipient opposition. The article appeared in the first issue of the recently created newspaper *Nash vzglyad*, which many assume has the backing of Speaker Khasainov. Vladimirov is the editor-in-chief of the publication.

Zelenin inherited many problems from his predecessor: a region dependent on federal subsidies in the midst of a political crisis, exacerbated by the criminal case filed against former Governor Vladimir Platov for the alleged embezzlement of 500 million rubles. Vladimirov argues that the task of improving the region's economy is quite similar to the job that President Vladimir Putin is performing at the national level. Vladimirov makes this comparison in order to argue that Zelenin, unlike Putin, does not have the leadership skills required to deal with crises in high-level public offices. Vladimirov charged that Zelenin's experience as a manager at Norilsk Nickel and his duties as deputy chief of the State Committee for Sports were not sufficient training for handling Tver's problems. Accordingly, the new governor does not fit very well into Putin's new hierarchy of power, according to the journalist.

The governor is a strict pragmatist, according to Vladimirov. His main success over the last 100 days is that he saved 100 million rubles in fuel purchases for the oblast. But his cost cutting could negatively impact the region's politics. Cutting the region's

investments in its poorest citizens could raise the level of political and social tension. By cutting local governments' share of the income from the road fund and by signing a 13 April decree depriving the mayors of the right to conduct forestry auctions, the governor is risking a significant conflict with local officials. The Legislative Assembly deputies are also unhappy about plans to take away their right to spend some of the oblast budget on the specific needs of their electoral districts.

Vladimirov's article comes to the controversial conclusion that the governor does not have significant support among the population and does not even control the situation within the regional branch of the United Russia party. At its recent conference, the Tver branch of the party replaced its leadership, appointing allies of the governor in the position of regional party leader and first deputy. However, Khasainov won election as the second deputy, with 74 votes of the 140 delegates, handing the governor a setback as his rival secured a position of power. Khasainov has expressed his support for Vladimirov's work. Additional evidence of the rivalry is that the regional legislature rejected the governor's recent amendments to the oblast's administrative code without even discussing them.

One can view Zelenin's early performance from many perspectives. However, it is clear that his plans work against the interests of part of the regional political and business elite and that they are going to oppose him, with the regional legislature as their chief foe post. - Boris Gubman in Tver

**ROSTOV OPPONENT HEADS CONSTRUCTION AGENCY.** The Russian General Procurator's office in the Southern Federal District has filed criminal cases against several subordinates of the Rostov-na-Donu mayor because they have not provided benefits to Rostov veterans required by federal law (see Russian Regional Report, 27 April 2004). More than 1,300 veterans have filed court cases against the authorities and the number is still growing.

The scandal is gaining speed six months before the city's next mayoral elections in which incumbent mayor Mikhail Chernyshov is seeking another term. He has already begun using the city media to promote his campaign and discredit his most likely opponent, Nikolai Kolomeitsev.

At the moment, it is not clear who will oppose Chernyshov. Nevertheless, the public campaign against him is clearly picking up speed and his future does not seem as assured as immediately after the removal of Chief Federal Inspector Gennadii Kapkanov, who earlier had been one of his most vocal critics. Now this role is played by Deputy General Procurator for the Southern Federal District Sergei Fridinskii.

Two facts provide evidence of a campaign against Chernyshov and his ally Rostov governor Vladimir Chub. First, the media has reported widely on the conflict with the veterans. This battle has been raging since 1999, but has only now garnered such wide attention. Previously, the media ignored it. Second the media reports are highly negative against the oblast and city authorities. Recently Channel One, NTV, and the local branch of Russian Television have reported on it.

Of the political figures who have a score to settle with Chub and Chernyshev, only one person has the resources to set up a scandal of this scale: former deputy governor in charge of economic issues Vladimir Averchenko. He lost his position in the administration in 1999 and subsequently won a seat in the State Duma. During the past

gubernatorial elections, he was viewed as an opponent to Chub until it was clear that Putin supported the incumbent governor. In 2003, he won a Duma seat from District 142.

However, Averchenko's career began to take off when he was appointed head of the powerful state construction agency, Gosstroï, on 23 March (<http://www.gosstroy.gov.ru/news89.htm>). This agency has resources comparable to the electricity monopoly Unified Energy System. Using these resources, Averchenko could not only take personal revenge on Governor Chub, but take control over the Rostov construction industry, the only profitable structure in the oblast that remains under the control of the local authorities. The Rostov construction industry is similar in size to that of Moscow.

The next three months will show if the current campaign is simply an effort to force Chernyshov to make a few concessions or prepare the ground for removing him. In any case, as experienced politicians, Chub and Chernyshov are trying to turn the current situation to their favor. - Aleksandr Krasnov in Rostov-na-Donu

**THINGS LOOKING UP IN KOMI.** After many months of economic, social, and political crises, the economic picture seems to be brightening in Komi. Most economic indicators for the first quarter of the year are up compared to the first quarter of 2003. Another cause for optimism is anticipated large scale investments coming to the region.

The largest investment project is expected from SUAL, which is planning a large alumina plant in the region. Accounting Chamber Chairman Sergei Stepashin visited the region in February and kept a promise to the leadership to lobby the project when he met with President Putin. The president ordered his government to provide guarantees to the project against non-commercial risks. This designation means that the project will now get the green light and has official support (*Argumenti i fakty. Komi*, no. 17, April 2004). This support is particularly important for SUAL's main foreign partner Alcoa. Lukoil and Rosneft are also expected to make large investments.

Another positive sign is that Russian investors are starting to invest in Komi's forestry sector, which has long been in a state of crisis. Of particular interest are the forestry processing plants of the Troitsko-Pechorsk raion. French and Greek investors had planned to work here, but for various reasons their projects did not materialize. Now a subsidiary of the St. Petersburg firm Inok is planning to bring up to \$17 million to the depressed region. The Moscow-based firm Prominvest is already working there. It seems that the exhaustion of forestry resources in regions like Novgorod, Leningrad, Vologda, and Karelia, where there were many destructive projects, is forcing investors to turn to Komi, which boasts one fourth of northwest Russia's forestry resources and where the quality of the forests is higher.

Additionally, the Komi government has finally won the signature of Inta Mayor Vladimir Shakhtin in closing money-losing mines, ending a four-month standoff. At the recent meeting in Salekhard dealing with the problems of Russia's northern territories, Komi leader Vladimir Torlopov was able to draw Putin's attention to the issue of resettling the residents of particularly troubled regions, such as the Pechora coal basin. Now the federal government is starting to recognize its responsibility in relocating unemployed workers from the north.

Unfortunately, for Komi's leadership, the good economic tidings will not likely translate into good political news any time soon. The Komi leadership is now dealing

with housing reform, improving education and healthcare, and overhauling local government. The first result is already increased conflict with the republic's local governments (*Molodezh severa*, 29 April). Because this social crisis continues, Torlopov still faces an uphill struggle to win reelection in December 2005. - Yurii Shabaev in Syktyvkar

## **FOREIGN DIRECT INVESTMENT**

### **KURSK GOVERNOR PREFERS UKRAINIAN OVER RUSSIAN COMPANIES.**

Kursk Governor Aleksandr Mikhailov has found it easier to work with Ukrainian companies than Russian companies in the food processing sector. On 29 April Mikhailov signed a cooperation agreement with Kiev-Konti General Director Roman Likhode, whose company recently purchased a 90 percent stake in Kursk's Konditer factory, which produces cookies and candies. The governor said that the Ukrainians had proven to be reliable partners, while the St. Petersburg firm Evroservis had not. In addition to Kiev-Konti, the Ukrainian firm Razgulyai Ukrros owns more than half of Kursk's sugar production.

Kiev-Konti is one of the top three large confectionery firms in Ukraine. It was established in 1997 and included three Ukrainian factories. Its 2004 purchase of the Kursk plant is its first foray into the Russian market and it hopes to expand its share in order to compete with Russian industry leaders like Babaevskii and Bolshevik.

Kiev-Konti is not the only Ukrainian confectioner entering the Russian market. Roshen bought a plant in Lipetsk in 2001 and then purchased a second one in March.

The Ukrainian interest in the Russian market is easily understood. In 2003, Ukraine exported 50,000 tons of product to Russia, making up 20 percent of the Russian market. Trade continues even though Russia has imposed a special 21 percent tariff. This duty will end in the summer of 2004, but Russian manufacturers are already lobbying to extend it. The new duty could prove to be even higher than the existing one. By purchasing Russian factories, the Ukrainian manufacturers are trying to avoid the tariff and maintain their share of the Russian market.

The governor is happy with the Ukrainian investors because they plan to invest in the modernization of the factory and to double the number of employees. The region will benefit from the increased tax revenue. - Sergei Sarychev in Kursk

## **ENVIRONMENT**

**BLACK SEA COUNTRIES LOOK AT ECOLOGICAL SECURITY.** The six countries of the Black Sea region that make up the Black Sea Memorandum Committee (Romania, Bulgaria, Ukraine, Turkey, Georgia, and Russia) held their fifth session on 28 April in the Russian city of Novorossiisk to discuss ecological issues. The memorandum was signed on 7 April 2000 and the committee is its permanently functioning group responsible for implementing the decisions the countries adopt.

Novorossiisk ecologists welcomed the meeting because their city is the largest international transport hub for oil and gas in southern Russia. A significant part of Russia's hydro-carbon resources are transported through this port. The ecology of Novorossiisk bay is already in critical condition and many types of fish in area are under

threat. The situation could become much worse in the coming years when the Caspian Pipeline Consortium's full potential comes on line. The group is planning to send 67 million tons of oil through the port each year. Additionally, since 2003, part of the Black Sea fleet previously based in Sevastopol, Ukraine is being transferred to Novorossiisk and these ships are further taxing the bay's ecosystem.

Participants in the four-day meeting discussed ways to ensure the security of ships working in the sea, monitoring the conditions of these ships, and defending the sea's ecology. Many of the ships used in the Black Sea basin are old and do not meet international security standards. The consequence is that they continue to pollute the Black Sea ecosystem. For example, the lack of reliable methods for cleaning ballast water in old ships means that when the ships drop their ballast in the Black Sea waters, they infest the Black Sea with fish and microorganisms from other parts of the world that could threaten the local ecosystem.

Moreover, the use of the old ships is often life threatening to their crews. The 1986 accident involving the Admiral Nakhimov, a ship built in 1925, cost the lives of 423. During the last three years, the six countries have introduced a system for monitoring the ships in their ports which has minimized such risks. However, all participants in the meetings agreed that such monitoring needed to be strengthened and further action taken. - Sergei Danilchenko in Krasnodar

## **LOCAL GOVERNMENT**

**TYUMEN PREPARES TO REFORM LOCAL GOVERNMENT.** Tyumen Oblast is preparing to implement the local government reforms required by the legislation adopted in the fall of 2003 as a result of the Kozak Commission report. In theory, this legislation, seeks to set up independent local governments with their own budgets. In practice, however, it will largely subordinate local governments to the regional governments on whose territory they are located (see Russian Regional Report, 29 September 2003). The new system is set to go into effect at the beginning of 2006.

Tyumen Oblast has already gone through several permutations of local government reform. From 1998, it had 295 independent municipalities with their own budgets. However in 2000, the new governor Sergei Sobyenin decided that this model was not to his liking and used his administrative resources to pressure regional voters to return to a raion-based model, in which only a handful of raions would have independent budgets. Only raion executives were elected under this system, with village mayors appointed. Sobyenin assumed that the fewer raions would be easier to control.

Returning to the independent municipalities involves numerous adjustments for the region. Perhaps the largest problem is that the municipalities vary greatly in population size, ranging from 556,000 in the city of Tyumen to villages with only 325 residents. Most importantly, there is a great difference in the size of the tax bases for these areas. Under former Governor Leonid Roketskii, the authorities addressed these issues through subsidies, taking money from the richer municipalities and transferring it to the poorer ones. As the new reforms come into effect, the oblast will set up a regional fund from which the municipalities will receive support depending on the number of residents.

Another major problem will be defining the borders of the municipalities. In preparing to implement the law, the authorities are demarcating, and in some cases changing, boundaries. Nearly two dozen villages on the outskirts of Tyumen, will be included into the city. The main obstacle is that many residents of these villages may lose the rural subsidies that they now receive. - Yelena Arbatskaya in Tyumen

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**REGIONAL POLITICS**

**MATVIENKO TAKES CONTROL IN PETERSBURG.** After winning election as St. Petersburg governor six months ago with the Kremlin's backing but surprisingly little public support, Valentina Matvienko has created a principally new political situation in the city on the Neva. Most important is the new governor's style. Matvienko has proven wrong predictions that she would be dependent on the sponsors and parties that supported her campaign. Immediately after her victory, she squashed proposals to create a city prime minister, who would manage day-to-day affairs and turn the governor's office into a largely ceremonial position. With the exception of one deputy governor appointed at Putin's direction (discussed below), she has had carte blanche in making personnel choices.

Naturally, members of the new city government include representatives of the business elite who have made significant financial contributions, and several party leaders from United Russia and the Union of Right Forces now hold second tier posts.

Matvienko has reserved for herself the right to make all strategic decisions. City government meetings generally do not debate important issues. Rather, Matvienko fills the agenda with decisions that have already been made. Discussions center around how to implement them.

A defining feature of the new governor has become her so-called closed consultations. On all issues that she considers important, Matvienko meets personally with the interested parties. Neither of her predecessors Anatolii Sobchak or Vladimir Yakovlev worked this way. Thus, before discussion of any important issues in the Legislative Assembly or government or before any important event, the issue has already been resolved. Decisions are announced so that the necessary officials can implement them. It is unclear where Matvienko learned this approach of dealing with adversaries, getting them, for example, to divide up markets according to secret agreements or make

mutual concessions. But, whatever its origins, the approach has proven extremely effective and exerts a beneficial psychological effect even on Matvienko's opponents. Thanks to it, the governor has yet to suffer any visible defeats, beyond a few cases in the city council.

Conflict with the Legislative Assembly is not surprising. After it approved all of Matvienko's deputy governors, she immediately began to reduce its governing role, following the example of Moscow Mayor Yurii Luzhkov, who makes all decisions personally and expects the City Duma to rubber stamp them.

The innovative feature of Matvienko's city government is that while all eight deputy governors are members of it, they do not chair specific committees as has been the case since Sobchak's tenure. This change has reduced the influence of lobbyists, but has also weakened the deputy governors themselves.

A host of new figures have appeared, with the most significant being representatives of the city's big business. Promstroibank St. Petersburg, having won a many year struggle against Baltoneksimbank's Yurii Rydnyk, advanced Mikhail Oseevskii into the position of deputy governor dealing with financial-economic issues and Vladimir Blank for the post of head of the Committee for economic development, industrial policy, and trade. The once powerful Finance Committee has now been reduced to such a secondary position that none of the city's most prominent bankers wanted to lead it. Ultimately, the authorities convinced Baltika brewery finance director Aleksandr Nikonov to take the post, but he is not one of the city's leading financiers.

The only figure with federal ties is Yurii Molchanov, the pro-rector of St. Petersburg State University for international issues in the 1990s. Putin had worked in his office upon his return from Germany. Molchanov draws support from the LSR construction firm, which is headed by his son. He fills a deputy governor's position in charge of investment projects which was created especially for him. Gradually, Molchanov has promoted several of his allies as heads of city government committees.

Using the business contacts he made in the early 1990s, Molchanov is establishing a second center of power that counterbalances Matvienko. It is possible that he will form an alliance with Presidential Envoy in the Northwest Ilya Klebanov, who has not succeeded in restoring his previous influence over the city's military-industrial complex because of Matvienko's opposition. This alliance may also win the support of Federation Council Chairman Sergei Mironov, whose role as a political arbiter in Petersburg affairs has likewise been reduced by the election of Matvienko as governor.

One outstanding feature of the new St. Petersburg government is that practically none of its members have "informal" ties to the so-called "power businessmen (*silovie predprinimateli*)," who in recent years have legalized the capital they originally earned through dubious, if not criminal, means. Free from such obligations and not having "skeletons in the closet," they have conducted a serious battle for improving the transparency of business and gradually returning to the city profitable businesses that it had either lost or sold off cheaply in the past. One indirect sign of the unhappiness among businessmen who launched their careers in the 1990s has been the outflow of capital from Petersburg in the first quarter of 2004. These flows could seriously hamper Matvienko's efforts to reach her announced goal of doubling the city budget by 2007.

There are also several continuities between Yakovlev's and Matvienko's governments. First, the overall sectoral structure is the same (for a list of the committees,

see <http://gov.spb.ru/gov/admin/otrasl>). Second, nine committee chairmen preserved their posts, though several of them lost the deputy governor title. Many other holdovers have found new positions in the Matvienko administration.

Matvienko has drawn on the former anti-Yakovlev media pool for key media appointments in the city. She named former *Nevskoe vremya* editor Alla Manilova as head of the Committee on the press and relations with the media and VGTRK Rossiya St. Petersburg head Marina Fokina as head of the Petersburg Television and Radio Company. Over time Manilova and Fokina have reduced the power of the other anti-Yakovlev media head Natalia Chaplina-Cherkesova, who had initially put many of her people into the Smolny press service. Since May 17 Andrei Kibitov, a former Fokin employee, has been the head of the city administration's press service.

Since she has already beaten back political attacks from the presidential envoy and city electoral commission, the fate of Matvienko's government depends on the successful realization of its economic plans. First, Matvienko is talking about creating city-owned companies that would own the sea port, freight terminals, natural gas distribution system, and other key objects. A second issue is how local business will work with Moscow and federal concerns. For example, Vneshtorgbank (VTB) is gradually buying up Petersburg banks with developed client networks (the purchase of Promstroibank St. Petersburg in April 2004 is only the first step in VTB's intervention into the northwest). Lukoil and Gazprom have also announced large investments into the St. Petersburg economy. Ultimately, if Matvienko does not mobilize all local resources, Petersburg will not be able to count on federal aid to support such massive projects as building a ring road or finishing construction of the dam designed to protect the city from flooding. - Daniil Tsygankov in Moscow and St. Petersburg

## WHAT DOES IT ALL MEAN?

**PROCURATOR FILES, DROPS CHARGES AGAINST AYATSKOV.** When the Saratov procurator filed charges against Saratov Governor Dmitrii Ayatskov, it was not the first time that the federal authorities have accused a sitting governor: Kamchatka's Mikhail Mashkovtsev and Tver's Vladimir Platov have faced similar charges. However, in the case of Ayatskov, it was the first time that after filing such serious accusations, the case was dropped without any convincing explanation of why.

To understand these events, it is useful to sketch a short chronology of the week from 13 to 21 May.

13 May - The Saratov procurator conducted a search of Ayatskov's offices looking for incriminating documents.

14 May - First the federal and then the regional media reported that Ayatskov had become the target of a criminal case for abuse of public office. The main reason for filing charges was the "Case affair," the cause of oblast scandals for three years already. In 1998 Saratov Oblast bought several Case combines produced in the USA for a sum of \$25 million. In March 1998 a state-owned company signed a contract for their delivery. However, after the August 1998 financial crisis, the company did not have \$7.3 million for customs fees. Saratov Oblast took the responsibility for paying the fees and then

Deputy Governor Sergei Shuvalov signed a letter of guarantee. However, the oblast never paid this debt and at the end of 2001 owed \$8 million including interest and penalties to the customs service. At that time, it turned out that the combines mysteriously had become the property of the firm Agroton. The authorities filed charges against Shuvalov in January 2002. According to the procurator, he did not have the right to spend this money without a special line in the oblast budget and approval from the regional legislature. As the court proceedings dragged on, Shuvalov won a seat in the oblast legislature and was even elected its chairman. Ultimately, he was declared innocent, but Saratov procurator Anatolii Bondar publicly vowed to return to the case (see RRR, 13 June 2003).

Immediately after the search of the governor's office, both Ayatskov and Bondar held press conferences. The governor said that the search and charges against him were exclusively connected to the March 2005 gubernatorial election campaign. He described the case as "political." The governor did not discuss the actual charges against him, claiming that they would go nowhere.

Bondar denied that there was any political aspect to the case. He claimed that he was acting at the instruction of President Vladimir Putin to increase investigations of corruption in the region. He also pointed out that the Case scandal was only the first of many investigations that he planned to launch in Saratov.

15 May - Ayatskov was summoned for questioning, but did not in fact answer any questions. Ayatskov either did not show up at the procurator's office or stated that he would not answer questions without his lawyer present and that his lawyer was busy then with other cases, according to informed sources.

17 May - Ayatskov was officially charged with exceeding his legal duties and abusing his office. He had to sign an agreement not to leave the region and Bondar threatened to arrest him if he interfered with the investigation. Ayatskov announced that he would turn his duties over to Deputy Governor Vladimir Maron until the investigation was complete. Ayatskov said that he did not think that the investigation would take long, but observers suggested that it might even drag out until the next election.

However, Ayatskov turned out to be right. On that day he gained permission to go to Moscow where his uncle's funeral was to be held the next day. The funeral took place on 18 May and on the next day he returned to Saratov.

20 May - Acting Governor Maron announced, without explanation, that Ayatskov would resume his duties the following week. That night the Russian general procurator's office announced that it had dropped the charges against Ayatskov. According to the general procurator's statement the charges were filed "prematurely." All the material in the case was transferred for further examination to the general procurator's office in the Volga Federal Okrug.

The transfer of the material does not mark the end of the affair. The evidence still exists and could at any moment be used against Ayatskov. However, now the affair has been transformed from a case against the governor into an investigation of whether the Saratov

procurator exceeded his authority. If he is found to have exceeded his authority, Bondar could be in considerable trouble.

What happened? Most independent observers agree with Ayatskov that this case was political. It was a result of a confluence of interests between numerous federal and regional elites. Above all, it was Bondar who has long interfered in regional political affairs and wanted to demonstrate his strength to others. However, he could not adopt such a decision independently. Russian practice requires that investigations against a sitting governor be sanctioned by the general procurator. Such approval must have been received in advance. However, the Russian general procurator, in contrast to the Saratov procurator, does not seek to intervene in politics. Now it works generally as an instrument of the Russian president and a small group of people close to him. In canceling the case, it must have been carrying out someone's orders. But it is not clear whose.

Saratov observers have a good idea who could order an attack on Ayatskov. Only one federal politician has special interests in Saratov and is interested in participating in the upcoming elections. He is former deputy governor and now deputy State Duma speaker Vyacheslav Volodin and Ayatskov has accused him of standing behind the affair. Immediately after Ayatskov's office was searched, Volodin showed up in Saratov for no apparent reason. Although Volodin denied that his arrival was connected to the investigation against Ayatskov, he praised Bondar's professionalism, arguing that he would not open a case without evidence.

However, Volodin by himself does not have enough clout to influence the actions of the oblast procurator. Someone close to the Kremlin would have to have helped him. However, the incident created confusion in the Kremlin because none of the presidential curators of regional relations had been notified of the preparations against Ayatskov, according to informed sources. This information can neither be confirmed nor denied due to the secrecy surrounding Kremlin decision making. As partial confirmation though it is interesting that not one prominent federal politician reacted to the affair beside Volodin. If Volodin was the one who gave the go-ahead, he may have been working with highly placed United Russia party functionaries. However, this kind of action would most likely be above even their competency.

Even stranger than the beginning of the case was the decision to close it. Ayatskov's trip to Moscow must have played a role in this outcome. Officially, he only admits meeting with deputy Duma speaker Lybov Sliska, who had long worked in Ayatskov's team before her election to the Duma. The presidential administration denies that Putin met with the governor. In one of his interviews, Ayatskov said that the president allowed him to "rest until Monday." But if there was a conversation, it is not clear what the terms of agreement were. Several observers have suggested that the Ayatskov might have agreed not to seek a third term in March if the case were dropped. However, Ayatskov said on 31 May that he would win the next gubernatorial elections (*Nezavisimaya gazeta*, 1 June). Some in Saratov believe that Ayatskov gave someone a bribe. However, we can only guess what actually happened. Clearly, some kind of deal was cut. Judging by how quickly the case was dropped, the federal government wanted to end it as soon as possible.

In conclusion, two things are clear. First, difficult times show you who your friends are. If that is so, then Ayatskov has almost no friends left. During this week, people only attacked him. If there were any voices seeking to defend him, they were lost

against the background of the overall criticism. Above all, the governor lost support in his region. It is hard to imagine who would support him in an upcoming election. In effect, Bondar has dealt Ayatskov a decisive blow. However, in going for broke, Bondar also seems to have lost. Now his future is also unclear. At his 14 May press conference, he had said that it was impossible to investigate many of the region's corruption cases without first punishing the "main corruptor." Now it seems that the "main corruptor" is located somewhere outside of Saratov, beyond the reach of the oblast procurator. The only person to benefit from the events was Volodin. If he sought to test the political strength of his political rival, it would be hard to imagine a more convincing result. - Ilya Malyakin in Saratov

## **FOREIGN POLICY**

**KRASNODAR GOVERNOR BACKS ABKHAZ SEPARATISTS.** Not long after his declaration that the island of Tuzla belongs to Russia rather than Ukraine (see RRR, 29 October 2003), Krasnodar Governor Aleksandr Tkachev on 22 May visited Sukhumi, the capital of the region of Abkhazia, which is seeking independence from Georgia. Among the governor's delegation were Krasnodar Legislative Assembly chairman Vladimir Beketov and the ataman of the krai's Cossack force Vladimir Gromov. The purpose of the visit was to admit the 200 Cossacks living in Sukhumi into the Krasnodar group.

In strict legal terms, the ceremony meant little. Although the Cossacks would like to be part of Russia's armed forces, they are currently nothing more than a social organization. In regions where they are numerous, the local authorities use them to help the police and preserve order. Some of these regions would like to offer them official status as armed forces, but such measures have not been approved.

The context of the Sukhumi event was much more important than what actually happened there. Speaking before a Cossack military parade, Tkachev said that "we have a common history and therefore a common fate." He warned Georgia's new president Mikhail Saakashvili not to try to reintegrate Abkhazia into Georgia. Tkachev's words were designed to have the greatest impact on the Georgians because they came just before the celebration of Georgian independence and against the background of Georgia's peaceful reintegration of the region of Adjara.

Reintegrating Abkhazia back into Georgia will be much more difficult. Since 1995, the leadership of Abkhazia has called for integrating the region into Russia and has taken all steps to achieve this goal if not de jure than de facto. Today about 90 percent of Abkhazia's population has dual Russian and Georgian citizenship, the main currency is the Russian ruble, and Russians do not need a visa to cross into the land.

Georgia's minister for conflict regulation Georgii Khaindrava criticized Tkachev for supporting the separatists. However, he made clear that he considered the actions of Tkachev and other Russian politicians with similar views as independent of Russia's official position toward Georgia's conflict regions. Georgia's prime minister Zurab Zhvania described Tkachev's visit to Sukhumi as a "stupid and irresponsible escapade." He said that if such people and such acts determined the policies of Russia and Georgia in the Caucasus, the region "which we are trying to turn into an arena of cooperation" would again be divided by many lines of confrontation. - Sergei Danilchenko in Krasnodar

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**VLADIVOSTOK ELECTIONS**

**ALLEGED CRIME FIGURE SEEKS MAYOR'S OFFICE IN FAR EAST.** An alleged crime figure nicknamed "Winnie the Pooh," an incumbent with close ties to former governor Yevgenii Nazdratenko, and former mayor and now State Duma member Viktor Cherepkov are the top three contenders in the Vladivostok mayoral elections set for 4 July. As usual for the capital of Russia's Pacific region, scandal and intrigue surround the elections.

In a situation where little reliable information is available, the Pravda Vladivostoka website ([www.vladpravda.ru](http://www.vladpravda.ru)) has fearlessly crusaded against Vladimir Nikolaev, the krai legislator whose nickname is Winnie the Pooh. According to local organized crime experts, the website's information seems accurate, though it is impossible to verify. In any case, the website's sponsors do not identify themselves, revealing only that the site is the work of journalists in Moscow and Vladivostok. They claim to have information from Kremlin offices and operational facts from the region.

According to the site, Governor Sergei Darkhin used to be a subordinate of Nikolaev in criminal activities. He allegedly has been afraid to come to his region for a month because he fears the wrath of his alleged former colleague (Pravda Vladivostoka, 2 June). According to the site, Nikolaev beat Darkin in his office in early May for not providing sufficient support to his candidacy, breaking a rib (Pravda Vladivostoka, 25 May). Presumably, the Kremlin has declared that it wants to avoid a Nikolaev victory at all costs and has ordered Darkin to use his resources to oppose him. More likely than not, Darkin does not want to see Nikolaev as mayor because then he would be in a stronger position to challenge Darkin's reelection as governor, in elections to take place a year

from now. The site charges that in Darkin's absence, Nikolaev is actually taking over his staff, presumably with the help of deputy governor and Primorskii television co-owner Yevgenii Ovechkin, and using the governor's resources to win the election.

Nikolaev is well known in Vladivostok and figures in a textbook on local organized crime published by TraCCC Vladivostok director Vitalii Nomokonov in 1998. According to the book, Nikolaev "was among the ranks of [crime boss Sergei] Baulo and distinguished himself by breaking all the rules (bespredel'shchik). After Baulo's death, he gained a reputation as someone who recognized no authorities, including criminal ones. He became well known among law enforcement agencies and within the criminal world for his violent score-settling (razborka) with 'Bashkir' and then 'Mikho,' using flame-throwing weapons against members of the latter's crime group." In the run up to the campaign, Nikolaev's lawyers have threatened to sue Nomokonov if he does not renounce his writings. Nomokonov has refused to do so and stands by his work.

Nikolaev has used his money to buy extensive positive media coverage and even a position as deputy secretary in the political council of the regional branch of the pro-Kremlin United Russia party. He also apparently paid many bribes to buy the support of various officials.

The elections are important because if Nikolaev were victorious, it would pose a considerable challenge to building a rule of law state in Russia. The Kremlin has long worked against Viktor Cherepkov, the former mayor, who is seeking a new term. According to Pravda Vladivostoka, the Kremlin is supporting incumbent Yuri Kopylov as the lesser of the various evils. Kopylov originally came to power under Nazdratenko's patronage. Nazdratenko has finally lost his last federal position. Putin forced him to resign as governor in 2001 and then put him in charge of Russia's fishing industry. After a scandalous tenure there, Putin moved Nazdratenko to the post of deputy secretary of the Security Council. Nazdratenko recently lost that title as well.

By the beginning of this week, the site seemed to claim that much of the danger had passed. Darkin had returned to the krai and announced at a press conference that Putin did not want Nikolaev to win. Moreover, Pravda Vladivostoka (8 June) claimed that the other crime leaders ganged up against Nikolaev to protect their own interests (as well as those of the law-abiding citizens), fearing that he would become too powerful if he won. What happens next though is anybody's guess. - Robert Ortung

## **ENERGY ISSUES**

**RUSSIA CONSIDERS BUILDING PIPELINE FROM IRKUTSK TO KHABAROVSK.** US President Richard Nixon's visit to China in 1972 had significant consequences for Russia's Far East. Astounded by the growing Sino-American rapprochement, Moscow reallocated over 30 military divisions and millions of settlers to the perpetually frozen landmass. The necessity of creating an economic backbone for the region resulted in a massive colonization of the northern wilderness: rail tracks, cities, hydroelectric dams, and factories emerged out of nowhere. Additionally, the country's military planners sought to secure communications since the Trans-Siberian railroad was strategically vulnerable as its tracks ran close to the border.

The collapse of the USSR and its planned economy, warming relations with China, and the subsequent withdrawal of military forces from the region left seven

million Russians out in the cold. The difficult living conditions, enormous distances between cities, and corruption among public servants made it very difficult for markets to pick up. As a result, the region witnessed an exodus unrivaled anywhere in the modern, peaceful world, with 15 percent of the population between 1989 and 2002.

During the 1990s, Moscow attempted to revitalize the regional economy through sporadic capital injections and subsidized domestic prices for energy. None of these schemes achieved much success. Not surprisingly, harvesting the region's natural resources became just about the only profitable economic activity. Unfortunately, these efforts attracted more public officials, ranging from regional governors to mayors of villages, than entrepreneurs.

In the 2000 presidential elections, Putin ensured himself the votes of Far Easterners by promising to keep a finger on the local pulse. Yeltsin had dealt with the region by striking deals with regional elites. In contrast, Putin began to challenge the regional "lords." One of his most vivid successes was the ousting of the region's most powerful baron - Primorskiy Krai governor Yevgenii Nazdratenko - by offering him a ministerial position in Moscow. Nevertheless, the Kremlin's efforts to unravel the tangled web of nepotism and corruption among Far Eastern bureaucrats has not gone far.

Against this background, dramatic changes in the global energy sector driven by rising Asian demands and the aspiration of the United States to diversify its supplies gave birth to two competing pipeline projects: one connecting Angarsk (Irkutsk Oblast) to Daqing, China and a second connecting Angarsk to Nakhodka (Primorskiy Krai).

In the 1990s and first years of the new decade, as the Chinese economy developed an growing hunger for oil, Russian companies were increasing their output. These trends brought Putin and the Chinese prime minister to St. Petersburg, where the "two strategic partners" signed their first meaningful economic agreement - to build a pipeline between the east Siberian city of Angarsk and the northeastern Chinese city of Daqing. Yukos enthusiastically brokered the deal.

The deal was not final however, for a third player emerged in Japan. Frustrated by rising global oil prices and the volatility of sea-lanes near Indonesia and the Taiwan straight, Tokyo impatiently began eyeing Russian oil reserves. Japan undertook steps to relax the long-nourished mutual hatred with Moscow and tacitly removed a four-decade-old obstacle - the Kuril Islands dispute - from the top of the bilateral agenda.

What seemed like an excellent opportunity for Russian and Japanese diplomats turned out to be a nightmare for the Chinese, who feared being outplayed by their ancient rivals. Tokyo launched a process of shuttle diplomacy and pledged to finance a so-called "northern route" - a 3,900 km pipeline across the territory of the Russian Far East to the Pacific coast - while Beijing continuously reminded Moscow about the commitment it had made to a "southern route."

The Kremlin, torn between its commitments to China and the more economically lucrative and strategically sound prospects of cooperation with Japan, felt optimistic about returning to Asian "great power games" after years on the sidelines. In mid-2003, Moscow reaffirmed its commitments to Beijing, but in the meantime conducted a study that suggested it would be possible to build both pipelines. The Energy Ministry had planned to complete a feasibility study of "the northern route" by the end of 2004, but following Putin's urge to do so sooner expressed in his state of the nation address at the end of May, the deadlines were shifted to July.

The once powerful Yukos was the principal supporter of building the Chinese pipeline and sought to do so with its own funds, sidestepping the Russian pipeline monopoly of Transneft to build the country's first private pipeline. Now, however, Yukos is on the verge of bankruptcy as its leader sits in jail awaiting trial and the firm faces a bill for \$3.5 billion in outstanding tax payments. As a result, erstwhile supporters for such innovations are no longer making the case for expanding private interests at the cost of state power.

Does the Kremlin really hope to build two pipelines or is it just seeking a convenient way to back out of its commitment to China? Most likely, the Kremlin is trying to minimize China's disappointment as much as possible. Naturally, China will complain bitterly if Russia backs out of the deal. However, the Chinese have a long history of Realpolitik, violating formal or informal obligations when it serves their national interest.

Probably, China's offence will be short-lived. The necessity of developing the northern territories (which are dependent on trans-border trade with Russia), the Chinese military's effort to modernize with the help of the Russian military industrial complex, and future oil trade prospects will temper Beijing's anger.

Yet, so far Moscow has assiduously avoided making a final decision. It hinted that construction of a northern route would not exclude the eventual construction of the southern one, though most specialists, and of course the Chinese, are skeptical that oil reserves in Angarsk would support such developments. The Chinese suggest building "the southern route first and then the northern second." Russia's current shipments of 200 barrels per day by train is considered a poor substitute. Understandably, Beijing is not enthusiastic about the train supply because it does not translate into infrastructural development for North China, one of Beijing's top priorities.

Perhaps, energy ministry officials are hoping that prospectors will find enough oil in Siberia to satisfy both Asian giants. Such a win-win situation is unlikely. Another possibility is that the Ministry of Foreign Affairs is wrapping up final diplomatic maneuvers to offset Beijing's anger. A less plausible answer is that Moscow expects the overheated Chinese economy to fizzle and produce some sort of economic malaise in northern China, a downturn that justifies excuses that the project is not feasible.

American interests are also at stake. The US is attempting to diversify its oil suppliers and is always enthusiastic about building geopolitical roadblocks for China, its strategic rival in Asia. American diplomats have been visiting local governors almost as frequently as their Japanese colleagues. Some observers' arguments that the Angarsk-Nakhodka pipeline is not in the interests of American oil companies operating on Sakhalin (most notably ExxonMobil) are highly questionable. Sakhalin based oil companies are perfectly equipped to subcontract for this \$5 billion construction project.

Far Eastern domestic political clout matters as well. The Angarsk-Nakhodka pipeline, which will stretch over the territory of eight Russian regions, is viewed by Far Eastern regional elites as a panacea for their failing economies and a lifelong opportunity for rent-seeking. After all, this effort is one of the five largest global construction projects. Regional elites from all camps, ranging from Viktor Ishaev, the notoriously paternalistic economic planner of Khabarovsk Krai, to Sergei Darkin, well known for his alleged ties to organized crime, are eagerly awaiting the arrival of the black gold. For instance, in Buryatiya the borders of a national park are already being readjusted to

accommodate the pipe, to the great fury of ecologists concerned about the 213 rivers that feed into Baikal, which the pipeline will cross.

According to some reports, most of the land under the prospective pipeline has already been purchased. The state-controlled builder "Transneft" has classified all information about the project. With such secrecy and the fact that the project will require hundreds of subcontractors, one can expect significant rent seeking. One example that comes to mind is Ishaev's "veto" on building a pipe connecting Sakhalin and the trans-Siberian railroad by demanding that ExxonMobil employ a certain subcontractor, who is closely affiliated to the governor. It is not just subcontracting which appeals to the locals. Direct income for oil transportation fees will total \$30 million for Irkutsk, and \$66 million to the Primorskiy Krai annually, not to mention all the spillover effects.

While local authorities treat the issue as a fait accompli and are already counting their petrodollars, the Kremlin gives no signs whether it will actually share this income with the regional elite. - Vyacheslav Shirokov in Vladivostok

## **SOCIAL ISSUES**

### **SCHOLAR DENOUNCES POVERTY, PRIVATIZATION IN KHABAROVSK.**

"There are two Russias," Dmitrii L'vov, the director of the Institute for the New Economy, stated at a special session of the Russian Academy of Sciences in Khabarovsk. The rich Russia is flourishing as 15 percent of the population receive 92 percent of the income and property. The second Russia is poor and humiliated, with only 8 percent of the national income. The conference was held under the aegis of Governor Viktor Ishaev, who holds a doctorate in economics and is a corresponding member of the academy.

L'vov warned that poverty is reproducing itself in the country, noting that Russia has one of the highest mortality rates in the world. He warned that ethnic Russians would make up only 38 percent of the population by the middle of this century according to some forecasts unless the government took action. He warned that the deterioration in human capital was not primarily caused by drug abuse and alcoholism, but by poor environmental conditions. Above all, he charged that Russia's economic problems were causing a drastic decline in health conditions.

L'vov called for undoing the privatizations of the 1990s, claiming that it would not have extensive negative consequences since it would only affect about 20 individuals. Only such a course would redirect money flows to support the dying population. He claimed that Russia could expect nothing from foreign investment and that the country itself was the only real strategic investor. In fostering economic development, he stressed the need to focus in particular on the countries of the former Soviet Union.

The stormy applause and lack of questions for the academic suggests that there is a growing sense within society, and particularly intellectual circles, that the current government does not plan to change its hostile attitude toward the average citizen, who is oppressed by low pay, unemployment, and poverty. - Yurii Rozhkov in Khabarovsk

**COAL MINERS STRIKE IN ROSTOV.** A series of large coal miner strikes opened the first part of June in Rostov Oblast, particularly in the cities of Zberevo and Shakhty. There are three principle reasons for the strikes.

First is the long backlog in paying miners' salaries, stretching for six months and longer.

Second is the difficult working conditions and high level of danger for the miners, often resulting in fatal accidents. Only the largest such incidents are publicized, but problems are frequent.

Third is the relations between the authorities and the miners. Speaking on television, the governor and members of his cabinet claim that they have full sympathy and understanding for the miners. However, in fact, their local representatives tell the miners that it would be easier and cheaper for the state simply to bury them than to give them their back wages or try to improve their working conditions.

The strikes produce no results. Most mines are slated to be closed and no one cares if the miners continue working there or not. This situation has forced the miners to adopt even more extreme measures. At the Obukhovskaya mine, one of the few that is still working and where the debts since 1996 are 12 million rubles, the desperate miners and their families blocked the nearby railroad. The resulting losses to the mine amounted to 3.5 million rubles a day. The mine's current management and the oblast administration announced that they had no obligation to repay the debts, but would try to give the miners some compensation, though not as much as they were asking for. The oblast procurator filed criminal charges against the miners for blocking the railroad. After this, the miners ended their protests, but payment of the money owed them is constantly postponed.

Some of the miners have also engaged in hunger strikes. Recently, 18 miners were refusing to eat and additional miners were joining them. As in the other cases, they sought repayment of their back wages and the authorities said that they would do so after selling off the property of the mines to be closed.

Most of the residents of the mining regions are living lives of poverty and despair. In theory, the miners have salaries sufficient to support their families. In practice, their poverty creates a series of problems. Young people in the area cannot find jobs, nor can they obtain specialized vocational training or a college degree. Alcoholism, drug use, prostitution, theft, murder, and suicide are frequent. Many people are sick from the poor ecological conditions. The oblast authorities and the media they control do not discuss these problems because they fear that they will ruin the oblast's public image.

In principle, the kind of aid needed for the miners is well known. Unfortunately, however, there is no money to pay for the necessary measures. - Aleksandr Krasnov in Rostov-na-Donu

## **REGIONAL FOREIGN POLICY**

**KALMYKIYA SEEKS PERMISSION TO HOST DALAI LAMA.** For several years, Kalmykiya's political and religious leaders have sought a visa to facilitate the Dalai Lama's visit to the republic. Kalmykiya is the only region in Europe whose population adheres to the tenets of Buddhism. The Russian foreign ministry has steadfastly refused to grant the Dalai Lama permission to come to Russia because it fears such a visit would anger China with whom Russia has signed a treaty on friendship and cooperation. The ministry most recently rejected such entreaties in September 2003. However, since Putin's election to a second term and the appearance of a new foreign minister, Kalmykiya is again pushing for permission to allow the Dalai Lama to visit the republic.

Although the ministry has said that it would take the requests seriously, it also pointed out that in its strategic partnership with China, Russia views Tibet as Chinese territory and fears that hosting the Dalai Lama would give China grounds for questioning this commitment. Therefore, Russia does not allow official contact with the Dalai Lama. The Chinese foreign ministry has also warned Russia on hosting the Dalai Lama.

In addition to the official Russian and Chinese opposition to the Dalai Lama's visit, groups opposed to President Kirsan Ilyumzhinov have also protested the visit. Members of Rodnoi Krai argue that the visit represents a form of cultural and spiritual separatism and that Ilyumzhinov is speculating on popular national and religious feelings to stimulate anti-Moscow attitudes among the republican population. The opposition, which is seeking federal support in its campaign against Ilyumzhinov, argues that the visit would violate Russia's national interests. - Vladimir Volgin in Elista

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##### **American University and the Transnational Crime and Corruption Center**

In a letter to Virginia Governor Robert Brooke, George Washington explained his idea for a great "national university" to be established in the nation's capital city. Washington did not see this university in his lifetime, but approximately one hundred years later, in 1893, Washington's dream was realized when American University (AU) was chartered by an Act of the United States Congress. Through the vision of Methodist Bishop John Fletcher Hurst, the idea of a national university, an idea born with the nation itself, came into being. Today AU is an independent university with more than 11,000 students from all 50 states and nearly 150 foreign countries enrolled in undergraduate, master's, doctoral, and professional degree programs.

The Transnational Crime and Corruption Center (TraCCC) is the first center in the United States devoted to teaching, research, training, and policy advice in transnational crime, corruption and terrorism. Originally founded in 1995 with seed money from the MacArthur Foundation and funded by the United States Government and private foundations, TraCCC's basic goal is to better understand the causes and scope of transnational crime and corruption and to propose well-grounded policy. Much of our work to date has focused on the analysis of transnational crime and corruption in the countries of the former Soviet Union. In achieving our goals, we work with the public, media, law enforcement, policymaking, legislative, judicial, academic and business communities. To undertake this kind of collaborative work, we have partnered with the best scholars and practitioners in Russia, Ukraine and Georgia through multidisciplinary research centers.

## **The Federal Institute of Technology (ETH) Zurich and the Center for Security Studies**

The Federal Institute of Technology Zurich (ETH, according to its German acronym) was founded by the Swiss government in 1854 as a polytechnic and opened its doors in Zurich in 1855. Until 1969 it was the only national university in Switzerland. Today it is part of the ETH domain, which is made up of the two universities in Zurich and Lausanne (the EPFL) and four national research institutes. The ETH itself comprises 83 institutes and laboratories, 330 professorships, and about 840 lecturers who fulfill teaching obligations and conduct research. A staff of more than 7,500 - 25 percent of whom are women - work in teaching, research and administration. The ETH currently has 11,700 registered students.

The Center for Security Studies specializes in the field of national and international security studies. Activities include research, teaching, and information services. Since its founding in 1986, the center has developed two electronic information services - the International Relations and Security Network (ISN) and the Information Management System for Mine Action (IMSMA). Due to the steady growth in research activities and the increasing number of tasks and functions it undertakes, the center now has a staff of about 75 people working in research and teaching. It is part of an international network of scientific institutions and organizations and cooperates with numerous partners. The center's expertise has made it an important resource for public administrators and the media, and the center functions as a political consultant to the Swiss Federal Government.

### **COMMENTS AND QUESTIONS**

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## LAW AND ORDER

**NEW IRKUTSK POLICE CHIEF INHERITS FORCE IN CRISIS.** Combating economic crimes, particularly in the timber industry, and removing corrupt police officers are the top priorities for Aleksei Antonov, the new head of the Ministry of Internal Affairs' (MVD) Irkutsk Oblast division. During a hastily assembled press conference with Irkutsk media on 8 June, Antonov said that he needed police professionals and would not tolerate officers who abuse their authority. Antonov's duties will include implementing police reform in the region once the Kremlin finalizes details of its plan. President Putin appointed Antonov, a Muscovite who previously served as a chief inspector of the MVD in charge of supervising regional police services, on 1 June, strongly signaling his dissatisfaction with the local police force. Irkutsk is one of Russia's most crime infested regions.

The decision to appoint an outsider was made in January 2004, when Yuri Skovordin, the police chief for the Siberian Federal District, publicly criticized both Aleksandr Rossov, Irkutsk's previous police chief, and Viktor Sofronov, then acting chief, for high crime rates and underfunding of the police. Sofronov had actively lobbied for an assignment as chief and repeatedly argued that he could improve the force's performance, clean up its ranks, and restore its reputation - all the tasks that President Putin identified in his legal reform agenda (*Vostochno-sibirskaya pravda*, 25 December 2003 and 5 February 2004). However, Skovordin did not believe Sofronov was suitable for promotion because he had fudged police performance data and failed to secure more funding for the police from the regional authorities (*Izvestiia*, 21 January 2004).

Irkutsk governor Boris Govorin also publicly chastised Sofronov for weak efforts in combating economic crimes and widespread illegalities and corruption in police force. He expressed outrage that criminal charges were brought against 186 police officers, some of them involving torture and illegal drug trafficking (AS Baikal TV, March 30, 2004, <http://www.irk.ru/news/2004/03/30/militia.html>). Govorin referred to a tragic incident in Bratsk city court as an example of the complete moral degradation of the local police force. On 25 February 2004, after two policemen were tried for torture and each were sentenced to seven

years in prison, they took out their guns and a hand grenade, trying to shoot the judge and blow up the courthouse. Struggling with the guards, one of these policemen was seriously wounded, while his colleague shot himself on the way to prison (<http://babr.ru/news>, 5 March 2004). Although 8 police officers were fired and 30 others were reprimanded as a result of this incident, Govorin insisted that the response was not enough.

Indeed, this incident reflects widespread problems among local law-enforcement officers. According to a recent anonymous survey of 340 Irkutsk police and procuracy officials, results of which were published in *Vostochno-sibirskaya pravda* on 10 June 2004, every other officer admitted that he or she broke the law at the workplace, with only 18 percent of officers insisting that they never violated the law in the course of performing their duties. One-third of respondents justified their illegal behavior by arguing that it was impossible to combat crime without violating Russian laws. While 92 percent of the officers characterized the situation with crime in the region as "catastrophic" and "intolerable," they had very little faith that Putin's amendments to the Criminal Code and Criminal Procedure Code would help them fight crime. Moreover, almost every other official (44 percent of those polled) said that Russia is fighting crime only on paper, rather than in reality, with 28 percent insisting that Russia lacks any system of combating crime. Irkutsk residents share this concern: 70 percent of 318 randomly selected members of the public said that they distrusted the police. Most people, however, are afraid to report these problems. In 2003, the Irkutsk MVD's newly established telephone hotline received a meager 45 calls, many of them about mistreatment by the police force.

Antonov, who has no direct experience in the oblast, faces a great challenge in reforming such a nihilistic and demoralized police force in a crime-ridden region (for Irkutsk crime data, see the web-site of TraCCC's Irkutsk office at <http://www.isea.ru/sait>; and RRR issues for 25 November 2002 and 13 June 2003). He may seek to implement the radical police reform currently being designed by the federal center. For example, now every regional MVD branch has to develop a special human resource training program to raise the professionalism and improve the work ethics of local personnel. It is not clear if this program can really be implemented. An effort to adopt a MVD Code of Honor ten years ago has now been forgotten by nearly everyone. Moreover, implementing these reforms will require significant financial resources from Moscow and the region. Antonov hopes to secure more federal funding for the Irkutsk regional branch of the MVD, which is the poorest in Siberian Federal District. However, the cooperation of the local authorities and Governor Govorin, who can run the region until 2009, if re-elected in September 2005, is crucial. For this reason, Antonov concluded his press conference by noting that "I have a mutual rapport with the governor, and I hope it will continue." - Alexei Trochev

## **RUSSIAN NATIONALISM**

**ROGOZIN CALLS FOR EXPANSION INTO GEORGIA, CRITICIZES CHECHEN POLICY.** Dmitrii Rogozin's Rodina party won a surprising large share of seats in the December 2003 State Duma elections, giving his brand of Russian nationalism a prominent platform in the Russian legislature. He recently visited the republic of Adygeya, where he spoke openly about his platform and political ambitions.

Rogozin said that he had just returned from Abkhazia, the region that seeks to separate itself from Georgia and join the Russian Federation despite intense opposition from Tbilisi. While in the separatist region, Rogozin took a number of steps toward setting up a branch of his Rodina party. Rogozin said that incorporating Abkhazia into Russia would serve the will of the Abkhazian population and Russian interests.

Likewise, Rogozin said that the border between Russian North Osetia and Georgian South Osetia had been drawn artificially during the Soviet era. After the collapse of the Soviet Union, the Osetian people were divided against their will. Including South Osetia into Russia would restore the natural unity of the Osetian people, according to Rogozin. He also said that the

citizens of the separatist Moldovan Pridnestria Republic who want Russian citizenship, should be granted that opportunity.

Rogozin criticized the Kremlin policy toward the separatist region of Chechnya, which he described as wrongly "supporting several Chechen clans." He argued that following the assassination of the former Kremlin-backed Chechen leader, Moscow should appoint the republic's next leader, who would then be directly subordinate to President Putin and not dependent on Chechen crime group leaders. He suggested freezing all oil extraction because now illegal extraction and processing of oil products provides funding for Chechen fighters.

Rogozin warned that Russia's borders are full of holes and suggested commissioning Russian Cossacks to protect them. He proposed adopting a new law on the Cossacks to make more extensive use of them.

Turning to domestic politics, Rogozin accused the pro-Kremlin United Russia party of violating citizens' social rights. He blasted the controversial bill the Duma is currently considering which would reduce benefits for the handicapped and veterans by replacing a variety of rights they currently enjoy with a small amount of monetary compensation. He said that this bill consisted of more than 600 pages and that no Duma member had time to figure out what its real contents were. He said that the Duma majority, consisting of United Russia, deputies only voted for it under pressure from the presidential administration and government. He said that it was necessary to study the text of the bill to see what other features it might contain and that his party had requested the aid of law students at Moscow State University to provide expert advice. He warned that the government would push the bill through the Duma in the middle of the summer when few citizens were likely to protest it.

Despite his intense criticism of United Russia, Rogozin, as usual, avoided any criticism of Putin. Instead, he said that only the intervention of the president had made it possible to reduce the damage caused by United Russia's bills. For example, Rogozin noted that Putin's intervention prevented the adoption of a bill on public demonstrations that would have infringed on the public's right to protest as guaranteed by the constitution and international treaties.

In economic policy, Rogozin called on the government to hold oil prices as low as possible within Russia, while selling such resources abroad for as much as the market would bear.

Rogozin described his party's greatest political achievement as pushing the Union of Right Forces from the political stage. He said that his party supports the interests of Russians who seek a strong state and an extensive social safety net. His party is interested in working with trade unions and is prepared to join their protest actions. Currently the Rodina party has 27,000 members, but he hopes to raise this number to 100,000 by the end of the year. Rodina declared that the party would be victorious in the next Duma and presidential elections set for 2007 and 2008, though he did not define what he meant by victory. - Oleg Tsvetkov in Maikop

## **CENTER-REGION RELATIONS**

**COURT REVIVES CHARGES AGAINST AYATSKOV ASSOCIATE.** 16 June saw the apparent continuation of the federal government's campaign against Saratov governor Dmitrii Ayatskov. In May the federal government filed corruption charges against the governor and subsequently dropped them, sending the case material to the Volga federal district prosecutors for further study (see Russian Regional Report, 2 June). That material remains there and the governor faces no further charges.

However, on 16 June, the presidium of the Russian Supreme Court overturned the 2002 ruling of a Saratov Oblast court, and a subsequent May 2003 Supreme Court decision, which had closed a criminal case against Sergei Shuvalov, the current speaker of the Oblast Duma who previously served as a deputy governor under Ayatskov and remains one of his allies (see RRR, 13 June 2003). The accusations against Shuvalov are closely connected to the charges against Ayatskov. The court ruling means that Saratov Prosecutor Anatolii Bondar, who had originally

filed the charges against Ayatskov, can now reopen the case against Shuvalov and continue his investigation.

The Shuvalov case revolves around his participation in a 1998 deal to import agricultural equipment produced by the American firm Case. Before the 1998 default, Shuvalov signed documents guaranteeing that the oblast would cover a \$7.3 million customs bill if the state-owned company receiving the equipment could not meet its obligations. The financial crisis intervened before the company could pay and the drop in the value of the ruble made the oblast government liable for this expense. However, the oblast never paid the bill. In September of 2002, Shuvalov won election to the oblast parliament and shortly thereafter was elected its chairman, giving him legal immunity. In December 2002, an oblast court ruled that the case was without merit and it was closed. The Supreme Court later affirmed this decision.

The Supreme Court presidium's move to reopen the case was unexpected and once again suggests that the federal government is putting strong pressure on Ayatskov not to seek a third term in office in 2005. Most observers in Saratov think that State Duma Deputy Speaker Vyacheslav Volodin, a former deputy governor who served under Ayatskov but then fell out with him and went on to a successful career in the Duma, is leading the charge against Ayatskov and his associates. Volodin is Ayatskov's most powerful potential opponent in the upcoming gubernatorial elections. The timing of the reappearance of this case suggests that Ayatskov's and Shuvalov's fate depends less on court procedure than their ability to mobilize sympathetic political influence in Moscow. - Ilya Malyakin in Saratov

## **LOCAL ELECTIONS**

**KREMLIN SEEKS TO MARGINALIZE NIKOLAEV IN VLADIVOSTOK.** On 4 July, citizens of Vladivostok will elect a new mayor (see previous report, in the RRR for 8 June). The Kremlin is now making a clear effort to block the election of Vladimir Nikolaev, a local businessman and member of the regional legislature with alleged ties to organized crime in the region.

Local observers allege that Nikolaev served under the now deceased mafia boss Sergei Baulo, working alongside Sergei Darkin, who later won election as Primorskiy Krai governor. With the help of the Moscow-based PR agency "Image" and approximately \$4 million of his own money, Nikolaev, known in the criminal world as "Winnie the Pooh," built a rating of 27 percent, enough public support to lead the mayoral race in the beginning of June. His main opponents, State Duma member (and former mayor) Viktor Cherepkov and incumbent Yurii Kopylov received 22 percent and 17 percent respectively at that time.

How did this alleged mid-ranking gangster become the top candidate for mayor? Nikolaev's election team elaborated and implemented an extremely efficient campaign, which combined bribes, deals, threats, slick promotional techniques, grandiose populist gestures, and perhaps even killings. Earlier this year, the local TV station "OTV-Prim" broadcast a meeting between Nikolaev and patriarch of the Russian Orthodox Church Aleksey II and observers suspect that payments were made to gain such an audience. Additionally, Nikolaev's team registered candidates with names almost identical to those of his main opponents to confuse voters on election day. To make matters even more murky, they established a non-commercial organization called "Administration of Vladivostok" making it look the fake Cherepkov and Kopylov were actually in charge of the city. Some observers even drew a connection between Nikolaev's ascendance and the recent assassination of local mafia boss, Trifan. Allegedly the criminal world does not support Nikolaev, fearing that he will gain too much power as mayor and infringe upon their interests.

As the campaigning got under way, two of Kopylov's campaign aides were nearly killed in a street assault. Moreover, Irina Balakhnina, who was in charge of local elections committee, suddenly stepped down amid much controversy. Cherepkov was attacked by an unidentified homeless man. Two weeks ago, Elena Kuligovskaya, who works for Primorskiy Krai Federation

Council member Oleg Kozhemyako and has been investigating recent events, was threatened. Her furious boss said that he would have the federal authorities investigate the case.

Interestingly, to this point the three main candidates have not waged much of a public campaign. Local TV stations boycott the elections. Some websites engaged in negative campaigning, but most local newspapers have taken a neutral position. With little information in the media, rumors are flourishing. One rumor, that relations between Darkin and Nikolaev deteriorated to the point of a fist fight in late May, supposedly because the current governor failed to provide enough support for his former colleague, is probably disinformation leaked by a pro-Cherepkov election team.

Rather, most of the evidence suggests that Darkin stands behind Nikolaev's political career. The two may have a firm relationship and long lasting plans. According to some sources familiar with local police intelligence, last year they considered jointly acquiring property on the Seychelles islands. Some local observers claim that Darkin personally called the hospital where Kopylov's injured aides were being treated and requested that the doctors not spread news about the attack. However, this may well be disinformation. One thing is certain, pressure on local media outlets to stay out of the pre-election race, a silence which benefits Nikolaev, must have come from on high.

Darkin seems to be calling the shots. He hopes to consolidate power in Primorskiy Krai by putting his man in charge of Vladivostok. This creativity must have raised concern in the Kremlin, which is campaigning against corruption and crime across the country. Federation Council Speaker Sergey Mironov authorized Senator Kozhemyako to investigate the situation. Darkin, after a trip to Moscow and subsequent quick press conferences, left for China. Moreover, last weekend, overcoming resistance from the local police, the local administration tore down 66 of Nikolaev's election banners.

For the past couple of weeks, the national media has been relentlessly crusading against Nikolaev, making references to his alleged criminal past. Criticism throughout the central press and media shook support for Nikolaev. According to a poll released a week ago by the ROMIR polling agency, Nikolaev's support dropped from 27 percent to 23.5 percent. In contrast, support for Kopylov rose to 27.8 percent.

An investigation by the Federal Electoral Commission led by Luydmila Dem'yanchenko concluded that there had been no significant violations of pre-election procedures and criticized the mass media for exaggerating the situation. The irony is that mass media had largely been silent.

The Kremlin has likely put heavy pressure on Darkin to withdraw his support for Nikolaev. His absence from Vladivostok and the removal of some of Nikolaev's posters may testify to this state of affairs. On the other hand, Darkin may choose to feign obedience. Putin's visit to Vladivostok scheduled for late June will reveal Darkin's true agenda.

Meanwhile, politics will only partially determine the voting results. Election analysts predict that the weather will also have a say. If the sun is shining on 4 July, young voters, who predominantly constitute Nikolaev's constituency, will prefer to go to the beach rather than their polling station. So far, June has been one of the sunniest months in many years for Vladivostok. - Vyacheslav Shirokov in Vladivostok

### **ELECTORAL COMMISSION BATTLE MARS SAMARA CITY COUNCIL**

**CAMPAIGN.** Samara's City Duma elections, set for 4 July, have gained notoriety as the dirtiest elections in the institution's ten year history. The battle is important because it pits Samara governor Konstantin Titov, a right-wing politician who plans to seek a third term in 2005, against the city's leftist mayor Georgii Limanskii, who is likely to be Titov's main opponent in the gubernatorial balloting.

The scandals began in the spring, when two competing city electoral commissions were registered. On 15 March, Mayor Limanskii set up one commission under his ally Sergei Nikologorskii and filled its ranks with close political allies. One month later, on 16 April, the

Lenin Raion court nullified the credentials of this commission. Then the Samara Oblast electoral commission created a new city commission that would be loyal to the governor under the leadership of Sergei Semchenko. The mayor, however, refused to recognize this decision and would not allow the members of the new commission to occupy their offices, which are located in the same building as the mayor's offices, leading court marshals to break down the doors. Since that space was no longer usable, the governor's administration provided offices for electoral commission number two in its building. Ultimately, Moscow put an end to the dispute when the Central Electoral Committee declared Semchenko's committee to be the city's official election arbiter.

Moscow's intervention, however, did not end the dispute between the governor and mayor. Semchenko subsequently charged that the city was not providing sufficient funding for his electoral commission. The city is supposed to give one million rubles a day to the commission, but by 9 June it had only provided 7 million rubles of the expected 9 million. Semchenko has appealed to Samara's Lenin raion court to correct the problem and force the city to provide documentation on electoral commission financing for April and May. Such battles make it hard to believe that the ultimate election results will be tabulated fairly and may likely reduce the number of people who actually vote in the elections.

The candidates are generally divided into two groups. Among those supporting the governor's position are representatives of the some of the city's largest financial-industrial groups, such as Sok, Volgaburmash, and Volgopromgaz. Others participating on Titov's side include a new generation of politicians aged 23-30. The most famous of these is Aleksandr Andreev, the leader of the Samara Union of Progressive Youth, who has good relations with Titov.

Similarly the mayor has nominated his own candidates. Generally, this group includes current members of the City Duma and healthcare and education personnel. The mayor is hoping for the backing of the Communist electorate and has promised that prices for municipal services will not rise after the elections.

With the elections approaching, Mayor Limanskii's opposition has swung into action. Between 7 and 17 June, protesters picketed the mayor's offices three times, complaining about poor city services. The most vocal group is Region-Samara, founded in fall 2003 to monitor the mayor's activities. On 25 May, the city electoral commission authorized it to collect signatures in support of a vote to recall the mayor. In the subsequent two weeks, the group collected 50,000 signatures. However on 10 June, the Samara city court declared that the law made no provision for recalling the mayor and canceled the right of the group to collect signatures for this purpose. The recall organizers plan to protest the decision. - Sergei Khazov in Samara

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**RUSSIAN PRISONS**

**KRASNODAR GROUPS DISCUSS WAYS TO MONITOR CORRECTIONAL FACILITIES.** Many believe that Russia's penitentiary system is inhumane, cruel, and more likely to produce repeat offenders than limit crime. In recent years, both the state and society have sought ways to improve the system.

Currently the State Duma is considering a law on social group oversight in securing human rights in correctional facilities. The lower house approved the bill in the first of three readings on 16 September 2003 and is planning a second vote in the fall of 2004.

At the September 2003 Duma session, the bill's main sponsor was Committee on Social and Religious Organizations Chairman Viktor Zorkaltsev. According to his data, Russia's 1,200 correctional facilities hold 900,000 prisoners. During the last ten years, 4 million people passed through the system, a total equal to 2.5 percent of Russia's working-age male population. During the last decade, the prison population has grown by 50 percent. Most prisoners who return to society do so with significant health problems. Russia ranks among the top three countries in terms of incarcerated individuals per capita, with 605 behind bars per 100,000 population in September 2003. This figure is 90 in Germany and France, 55 in Greece, and 95 in Turkey.

According to Zorkaltsev, only 12-16 percent of the prisoners are actually dangerous. Approximately 50-60 percent "do not belong to the criminal community, but under some conditions could become a part of it." Zorkaltsev stressed that "we need to protect these people." (Stenogram of the State Duma meeting on 16 September 2003).

Prison guards and other workers have become hostages to the situation. They are physically and emotionally overworked, receive low salaries, and often do not have adequate housing, leading to frequent personnel turnover and an outflow of qualified employees. Zorkaltsev described the current situation as a national problem and called for state and society to cooperate in resolving it.

The draft law envisions regional level oversight commissions to monitor the correctional facilities. Social groups will nominate members to these commissions and they will be confirmed by Russia's human rights ombudsman. The Russian organizations should function like similar organizations in the UK and France. Putin has backed the bill.

On 22 June several social groups in Krasnodar met to discuss how they could work with the law enforcement agencies to protect the rights of those incarcerated and implement this law once it is adopted. Andrei Babushkin, a member of the Russian Justice Ministry's Social Council and head of the Committee for Civil Rights, called for the creation of discussion forums - social councils within the procuracy, correctional facilities, and possibly, the Federal Security Service (FSB) in which citizens would have direct access to the authorities. He suggested that the main criteria for evaluating the effectiveness of the law enforcement agencies should not be the percent of crimes solved or drops in the overall crime rate (figures that are easily falsified), but the evaluation of "external users." He suggested using surveys, conversations with the incarcerated and those who were recently released, visits to prisons and correctional colonies by experts, and other methods to obtain these reports. To monitor the police, he recommended observing them on the streets, monitoring information provided by lawyers, and exposing cases of abuse through surveys. Babushkin in particular stressed the need to observe the rights of policemen, noting that if their rights were violated frequently, they would have little incentive to protect the rights of others.

Tatyana Rudakova, head of Mothers in Defense of the Rights of the Indicted and Convicted, explained that she had developed a good working relationship with the Ministry of Internal Affairs Department of Internal Security. She said that she directed her complaints about police personnel to this agency and that they were received with understanding and support.

Vyacheslav Seliverstov, a representative of the Russian human rights ombudsman's staff, said that his priority actions included increasing the quality of contact between state agencies and groups exercising social oversight. He also said that his office was rapidly establishing a network of regional human rights ombudsmen throughout Russia.

The most common complaint that his office receives is regarding people who have been imprisoned for reasons that allegedly are not valid. The second most common type of complaint focuses on the conditions in temporary holding cells.

Seliverstov said that he was particularly concerned about the use of special purpose troops that are occasionally introduced into correctional facilities allegedly for the purpose of imposing order. He said that these troops frequently abuse the rights of prisoners, including beatings.

A man who was recently freed from prison said that almost every police unit employs torture. Almost everywhere it is possible to find electrical devices and gas masks used for these purposes.

The speakers noted that many of the social organizations that could potentially monitor prisons are dependent on the bureaucracy and, in essence, serve as a resource for bureaucratic control. It would be a mistake to expect them to monitor prisons effectively. V. Borshchev said that this situation is well known and for precisely this reason the draft

law currently under consideration gives the Russian human rights ombudsman the power to approve members of the proposed regional oversight commissions.

Despite the general flow of the discussion stressing the important role of society, a representative of the procurator's office emphasized that the task of monitoring the situation in the prisons was a state responsibility. Complete control could not be implemented outside the state, he said. Since the procurator ensures the implementation of the law, society can only help the state, he asserted. The participants of the round table did not attempt to argue with him and simply called for adopting the law. - Oleg Tsvetkov in Krasnodar

## **DRUG TRAFFICKING**

**URAL, VOLGA REGIONS FLOURISHING AS NARCOTIC TRANSIT ZONES, WITH MILITARY HELP.** Just over a year ago, Vladimir Putin created a federal agency for combating the drug trade. But it seems that only today have the regional authorities recognized the true scale of this problem and the threat it poses to Russia.

The State Duma is planning to hold hearings on this issue in October and already proposals for harsh crackdowns are being voiced with increasing frequency. Thus Deputy Yevgenii Roizman from Yekaterinburg has called for requiring citizens from several Central Asian countries to obtain visas before traveling to Russia in order to block the flow of contraband goods into the country and particularly into the Ural region. Roizman said that he was shocked by data showing a ten-fold increase in flows of heroin and other narcotics into the Urals recently.

The increased number of drug busts is most likely the result of the creation of the new agency, whose employees have actively started to confiscate large quantities of drugs. More than 90 percent of the people caught transporting heroin in Sverdlovsk are Tajik, according to Roizman, who was backed by acting Sverdlovsk procurator Gennadii Yezhov. Traders often transport the heroin by swallowing up to 400 grams of the substance in capsules and then flying to the region, where the narcotics are regurgitated.

The Volga region is also a transit zone from Central Asia, according to Aleksandr Prepodobnyi, the head of the federal anti-drug agency's office in the Volga Federal Okrug. Smugglers use all forms of transportation, including private cars, the railroad, and trucks. In a notable recent drug bust in Mordovia, the authorities captured a truck transporting about 100 kilograms of heroin through Russia. Preliminary investigations suggested that a transnational crime group including citizens from Russia, Ukraine, Tajikistan, and Uzbekistan was involved.

Bashkortostan is a destination for drugs that originate in Afghanistan and are transported through Central Asia and Kazakhstan into Russia. Currently, in Bashkortostan, there are 10-14 organized crime groups trading and selling along this route. The overall drug market in Bashkortostan is estimated at 2 billion rubles a year, not counting drugs that pass through to other destinations. According to official statistics there are 7,000 drug users in the region, but the figure could be as high as 80,000-90,000 given the high level of latency with this problem.

The poverty and dismal future prospects of military officers in the region often lead them into becoming drug dealers. In June authorities discovered a criminal group consisting of officers from the Ufa garrison involved in the storage and sale of narcotics.

Among the arrested were senior lieutenants and captains and citizens of Kazakhstan. The officers stored the drugs in their homes and office safes. An operation combining the efforts of military counterintelligence, the Federal Security Service, and Ministry of Internal Affairs' department for combating organized crime confiscated 11 kilos of marijuana from the group.

Another recent bust captured a group led by a former law enforcement officer who had been transferred from Orenburg, along the Kazakh border, to Bashkortostan seven years ago. At the time of his arrest, this officer had service documents that made it easy for him to transport drugs throughout Russian territory. - Igor Rabinovich in Ufa

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**VLADIVOSTOK ELECTIONS**

**VOTERS BACK ALLEGED CRIME LEADER AS MAYOR.** On 18 July a majority of voters in the Far Eastern city of Vladivostok elected an alleged crime leader as mayor. Even during the Soviet era the city was considered a center of corruption and crime. This reputation was maintained and further developed throughout the "roaring" 90s. With 40 percent of Russia's lucrative fishing industry, the Pacific Fleet, and a considerable merchant marine, the city has long presented opportunities for nefarious deals.

In the post-Soviet era, corruption gave birth to fierce political competition. During the mid-1990s, the most contentious battle raged between the powerful regional governor Yevgenii Nazdratenko and Vladivostok's then mayor Viktor Cherepkov. Their conflict led to the disruption of many municipal services in the city, including month-long shut downs of electricity and water. Nazdratenko ultimately was able to place his ally, Yuri Kopylov, as mayor. However, after the Kremlin forced Nazdratenko out and Sergei Darkin won election as governor, the two administrations were still at odds as Darkin and Kopylov represented different clans. With mayoral elections this summer, Darkin made a move to consolidate all power in the region by promoting his alleged former criminal and business partner Vladimir Nikolaev as the new mayor.

Darkin's protege Nikolaev is a 30-year-old deputy in the Primorskii Krai legislature and a leader of the local pro-Kremlin "United Russia" party branch. In 1999 he was sentenced to 3 1/2 years in prison for beating a local official and threatening to kill another. However, he was soon granted amnesty and released. Known as "Winnie the Pooh" in criminal circles, he campaigned extensively since the beginning of this year. Having one of the region's largest fishing companies, Turnif, at his disposal, he

subsidized fish and meat for teachers and doctors, financed renovations of crumbling city buildings, and provided some municipal services and theater tickets for pensioners.

Two prominent local politicians led the anti-Darkin and anti-Nikolaev forces. The first was Cherepkov, a former Navy captain who had already won mayoral elections in 1993 by promising to investigate the starvation of Navy conscripts. In the mid-90s, President Yeltsin removed him from office by decree, claiming he had violated the law. After proving the illegality of the decree, Cherepkov eventually returned to the mayor's office temporarily. The second member of the anti-Nikolaev coalition was Kopylov, the incumbent mayor who had once served under Cherepkov, but then betrayed his former boss to form an alliance with Nazdratenko, Cherepkov's arch rival.

As is sadly traditional for Vladivostok, this summer's election has been controversial and violent. The wide variety of dirty tricks employed have included attacks on candidates' staff, headquarters, and billboards; threats against federal investigators; the unexpected retirement of City Election Commission members; court appeals; boycotts of coverage by local media; disruption of newspaper circulation (Primorskii Vesti, 11 June); abductions of newspaper distributors; and an abundance of disinformation and "black PR."

The Kremlin, which has remained neutral in Primorskii politics since the ousting of Nazdratenko, observed Darkin's initiative with suspicion. After all, Nikolaev's criminal record left much to be desired. Ostensibly, among Nikolaev, the incumbent mayor Kopylov and the scandalous Cherepkov, the Kremlin perceived the incumbent as the least of the available evils.

The first round of the elections, held on 4 July with 10 candidates participating, did not determine a winner since no candidate received more than 50 percent of the vote. Most observers viewed Nikolaev and the incumbent mayor Kopylov as the chief rivals. Nikolaev met the high expectations vested in him by winning 26.8 percent of the votes even though rumors spread on the eve of the election suggested that he had dropped his candidacy. Kopylov failed to enter the runoff, winning only 18.1 percent, with his poor performance probably a consequence of his failure to curb the water crisis that has been paralyzing the city for the past year. Meanwhile, Cherepkov, fared surprisingly well with 26.3 percent of vote. Pursuant to local law, since none of the candidates received over 50 percent of participating votes, the top two went to a second round which was held on 18 July 18 (where a simple majority was necessary for victory, unless the majority voted "against all").

Though many, especially Kopylov and Cherepkov, claim that there were extensive electoral law violations during the voting, local law enforcement reported only ten administrative violations and three criminal charges, none serious enough to cancel the elections.

In the week following the first round, events unfolded dramatically. On 9 July, Kopylov and Cherepkov abandoned their long hatred for each other and announced a joint alliance for the purpose of preventing "a criminal from coming to power." The same day, the City Elections Committee requested a local court to remove Cherepkov from the runoff election charging that he had illegally used his State Duma offices and communications for campaign purposes.

The same night, Cherepkov was reported to have been wounded by a landmine as he was leaving his elections headquarters. He and Kopylov jointly blamed Nikolaev as

being responsible for the blast. Since Cherepkov was in the hospital, the court could not meet on Saturday night to rule on whether to remove him from the race.

It is unlikely that there was a bomb. If Cherepkov were killed or wounded, Nikolaev would have become the primary suspect and presumably lose popular support. Vladivostok voters do have a high tolerance for violence and corruption, but not for flagrant murder of political opponents.

Possibly, Nikolaev's opponents imitated the explosion to erode Nikolaev's support. The regional news agency DEITA.RU reported on 10 July that there was no physical evidence of an explosion near Cherepkov's headquarters. The agency, one of the chief suppliers of information in the region, announced that due to flagrant "black PR" it would refrain from further coverage of the elections. Furthermore, the chief of police of the Far Eastern federal region Anatolii Zolotarev, reported to the State Duma that there was a possibility that the explosion was falsified.

After the first round of the elections, the federal authorities seemingly took a neutral position. Following the attack on Cherepkov, Presidential Envoy to the Far East Konstantin Pulikovskii announced that federal authorities would not interfere in the elections.

On late Monday night the city court removed Cherepkov from the runoff, ruling that he had violated the election law. With Cherepkov out of the race, the court ruled that Kopylov would take his place as the competitor against Nikolaev. However, Kopylov first appealed to all citizens to vote "against all" so that the elections would have to be declared invalid and then on the next day withdrew his candidacy, supposedly in protest against the "criminalization of the elections." With Kopylov out of the race, the fourth place finisher in the first round (Alexandr Perednya, a young director of another fishing company who received 9 percent of the vote in the first round) was tapped to run against Nikolaev, but he also refused to participate. Perednya's reasons for leaving the race remain unclear. Meanwhile, the desperate Cherepkov appealed the court ruling without any success.

In the end, the first round's fifth place finisher, Nikolai Markovtsev (who received just 3 percent in the first round) went head-to-head with heavyweight Nikolaev. When the results of the 18 July voting came in, 53 percent of Vladivostok citizens supported Nikolaev, while 37 percent voted against all. The democratic drama is now officially over. The struggle for control over the region has ended with Darkin on top of the hill, Nikolaev in the seat of mayor and Cherepkov and Kopylov hanging in uncertainty. - Vyachaslav Shirokov in Vladivostok

### **IRKUTSK TRIP REPORT (8-14 JULY)**

Specialists and practitioners gathered 9-11 July in Irkutsk to discuss the role of non-governmental organizations (NGOs) in fighting corruption. The overall conclusion of the participants was that these organizations have had little success in changing the way things work in Irkutsk. The following reports provide details about some of the most interesting discussions at the session. The conference was organized by St. Petersburg's Center for Independent Sociological Research and Irkutsk's Center for Independent Social Research and Education with support from the USAID Think Tank Partnership Program, IRIS, and Bearing Point. Additional participants included Hungary's

Foundation for the Market Economy and American University's Transnational Crime and Corruption Center. - Robert Orttung

**NGOs MAKE LITTLE HEADWAY AGAINST CORRUPTION.** Overall, NGOs in Russia are facing tough times following President Vladimir Putin's most recent annual state of the nation address in which he complained that many NGOs are taking money from foreign funders. In far flung regions like Irkutsk, Putin's comments raised more questions than answers because it was not clear if he was suggesting that Russian business should fund NGO activities or if meant that he was preparing a crackdown against NGOs that take foreign funding. In most cases, NGOs have no real alternatives since foreign grants are the only source of funding as such grants are currently not available from the Russian government or Russian business.

The difficult situation reminds many of the Soviet era and leads some to dust off old jokes that were once popular. In the case of Putin's speeches and comments to the press, one participant brought up the anecdote about a man who goes to the eye doctor complaining about his vision. When the specialist examines him and finds nothing wrong, the man replies, "That's strange because these days I hear one thing and see another."

Some of the analysts initially expected that business associations would play a major role in fighting corruption. However, these groups usually do not set the explicit task of dealing with the issue. Rather, their main focus is helping their members deal with the system as it currently exists. In some cases, the work of these organizations deals with corruption issues indirectly, such as seeking greater transparency in government tenders.

The type of corruption varies for small and big business. For small business, the real barriers to business are at the municipal level. The key problem is in getting access to land. Most small businesses cannot buy land for their operations because it is too expensive. Such privatized land mostly went to insiders or the relatives of city officials in the 1990s. Therefore, many entrepreneurs rent land from the city. Municipalities prefer to lease land because they believe that receiving rents will give them a greater flow of income than actually selling the land and then trying to collect property taxes on it.

According to federal law, cities can provide leases that last from one to five years. In practice, the city of Irkutsk only gives leases for one year. City officials argue that such short-term leases allow them to maintain tight control over the leaseholders and ensure that they are using the property effectively. In reality, the small businesses have to apply for new leases each year. The process usually takes about three months and offers lots of opportunities for city officials to solicit bribes. Providing leases for a five year period would not offer such opportunities for the officials, though such long term leases are greatly desired by the business people. Naturally, the short-term leases do not provide businesses incentives for developing the land.

Another big part of the problem is that the tax system does not give the oblast and city governments much of an interest in developing the business community. Irkutsk has a relatively small tax base because most of the tax revenue derived from the businesses working in the region does not go into regional coffers. Up to 90 percent of the taxes paid by small business are transferred to Moscow under the current system. Additionally, many of the big businesses that work in Irkutsk are large Russian companies that are based in Moscow or other parts of the country. Examples include Yukos, Russian

Aluminum, and SUAL. As a result these companies pay their taxes in Moscow, leaving the regional government out of the loop. To gain access to this revenue, Irkutsk's government must appeal to Moscow for federal subsidies. Naturally this system makes the governor dependent on Moscow's good will, giving the federal government a strong interest in blocking reform.

Under these conditions, it is common for the governor to make deals with individual big businesses to get them to pay some of their taxes in the region rather than to Moscow. Local observers are extremely critical of these deals because they are made on a case-by-case basis and supplant the overall system of laws that should apply to all. This situation suggests that corruption is deeply entrenched and that the officials do not have a real interest in changing it.

### **IRKUTSK SMALL BUSINESS HAS TROUBLE DEFENDING ITS RIGHTS.**

Aleksandr Vasilenko, the director of Irkutsk's Anti-Crisis Center for Defending the Rights of Entrepreneurs, describes small business as the most frightened part of Russian society. His organization is made up of small businesses that pay 2,000 rubles a year in membership dues. He notes that entrepreneurs live in great fear of officials at all levels of government. He established his current center, with funding from the Eurasia Foundation, in 1999 in order to help small business people unite their efforts. He describes his organization as unique in the region because it exists for the purpose of changing the overall system rather than simply offering consulting advice to local businessmen on how they can survive (although it provides these services as well). Under Russian legislation, club membership fees are not taxed, while payments for consulting services are. Vasilenko's organization gained authority as a group that could get results by making it possible for private firms to bid on contracts for providing food to Irkutsk school cafeterias. Before Vasilenko's intervention, such contracts were only available to insiders.

Vasilenko noted that he and his colleagues found it very useful to keep on top of the new laws because often the bureaucrats do not know what legislation is on the books. He has brought several cases to court, but complained that the system is such that the court rules in favor of the state. In one exceptional case, his team was able to demonstrate that a policeman had harassed a small business. He and his colleagues appealed to the federal Ministry of Internal Affairs, which backed him. However, once the case was over, the judge in the case asked him not to bring any similar cases to her court because she did not want to repeat the experience of coming under so much external pressure. Judges are loath to rule against the local authorities because they have to live in the community and do not want to go against prevailing local sentiment if they can avoid it.

Vasilenko provides another service to small businesses by providing his members with a sticker announced their membership in his organization that they can display in their windows. Often inspectors and other officials avoid such shops because they know that the owners are likely to put up a fight against paying any special fees.

Unfortunately, Vasilenko's successes have been isolated examples and have not changed the overall situation. Conditions for small business remain extremely tough in Irkutsk and their number has not grown over time. A walk around town suggests that there are some restaurants, cafes, and small businesses, but not nearly as many as in places like Nizhnii Novgorod.

**ECOLOGISTS FACE THREATS FROM BUSINESS, FSB.** Among the most active groups in Irkutsk are environmental organizations such as Baikal Ecological Wave. This group monitors various big business projects such as the development of the Kovykta natural gas field, the efforts to build an oil pipeline to either China or Japan, and the extensive illegal logging industry ([www.baikalwave.eu.org](http://www.baikalwave.eu.org)). Co-chair of the organization Jennifer Sutton, an English woman who has lived in Irkutsk for the last 30 years, claimed that while many accused her organization of seeking conflict, in fact she and her colleagues are focused on improving the quality of life in the region. Her group came under attack in two of their activities. In the first case, big business interests set up road blocks when the group sought to bring a Russian-American delegation to visit some of the indigenous people living in the northern part of the oblast. In the second case, the Federal Security Service (FSB) raided their offices at the same time that they were trying to conduct an environmental impact assessment of the construction of oil pipelines from Irkutsk to Asian markets.

Sutton explained that for the group to be effective in its activities it needed to work with state agencies. Her organization has found a useful partner in the oblast procurator who came to region from elsewhere and therefore has few ties to the local establishment. He sought the organization's help in dealing with the extensive illegal logging problem. In the Balagansk Raion, the local raion дума gave local residents and organizations, including the courts, the right to cut down a certain number of trees. The local residents could turn these rights into money by selling them to logging firms. For their part, the firms benefited because they could easily obtain the rights without having to go through all of the usual procedures. These firms cut down the trees in a barbaric manner that left a lot of material for waste, turned a quick profit, and disappeared. Baikal Ecological Wave helped the procurator file a case against the former mayor of the area. Sutton noted that the best results come when the state employees are willing to do their job.

**NGO-STATE RELATIONS NOT ALWAYS EASY.** State officials have learned how to use NGOs for their own purposes, according to Yelena Tvorogova, the president of the Renewing Siberian Land charitable foundation. She pointed out that some state money is earmarked for NGOs, but officials only provide it to groups that are willing to give back a certain percentage as a kickback. She noted that the amount of foreign money available is declining. She stressed the need to develop new Russian sources of money, but it was not clear where these sources would come from. Under current conditions, NGOs are often forced to raise funds through corrupt deals with officials.

A major problem for NGOs is that the governor expects them to campaign for him to ensure his reelection. Considerable regional funding goes to such semi-official organizations as groups dealing with veterans, women, and children. Attempts by leaders of such organizations to skip campaign functions meet with strong disapproval from members of the governor's team who have power over these groups' funding. In this sense, not all corrupt activities are based on exchanges of money because no cash changes hand in such cases. In this atmosphere, it is difficult for NGOs to build real relationships with public officials since the officials always expect to achieve some personal gain from the relationship.

Currently, there are only small amounts of money available from Russian sources. The city of Angarsk, a center of oil extraction, has 2.8 million rubles to dispense in grants, while Irkutsk city has 2.5 million rubles. The size of the grants is too small to support the organizations seeking their support. When Yukos was active in Angarsk, it provided grants up to \$10,000.

## **BUSINESS AND POLITICS**

**NEW BUSINESS AND THE RULE OF LAW: THE VIEW FROM IRKUTSK.** One would expect the arrival of new business in a region to improve the rule of law situation of that region. As the new business, whether large Russian companies, small business, or foreign investment, pays an increasing share of taxes into the regional budget, it should have more influence over the regional government and therefore create better conditions for business operations, reducing, in particular, government interference and red tape.

Unfortunately, these positive benefits of new business activity have not been realized in Irkutsk. New business, in the form of big Russian companies, has arrived in the region, but it has not had the anticipated impact on regional government.

One example of a large Russian firm working in Irkutsk is the oil giant Yukos. Yukos has processing facilities in three principal regions: Samara, Krasnoyarsk, and Irkutsk. Its main base in Irkutsk is in Angarsk, about one hour's car ride north of the city. Yukos took control of Angarsk's huge refinery in June 2001 at a time when the plant was bankrupt and not paying taxes. According to Yukos representatives, the governor and mayor welcomed the company because it was able to provide capital to restart the plant. When Yukos arrived, there were no problems with the federal government, but there have been some problems since 2003, when the federal crackdown against Yukos began.

Yukos brought big changes to the factory by resuming production. In particular, it began paying salaries and launched extensive social programs to help the workers. It also exchanged the stock they held in the refinery for Yukos stock, and began paying dividends, something that the refinery stock had never done. The company raised wages by a factor of three and made other improvements, refurbishing offices and setting up a dry cleaners so that the employees would have clean uniforms. Yukos has also distinguished itself from the other companies working in the region, such as Basic Element, TNK, Russian Aluminum, by providing scholarships for students and Internet classes.

As a national company, Yukos has interests and resources that are much broader than the perspective of one oblast. In this regard, the governor and mayor were not happy with the appearance of Yukos. The company is a highly structured organization with strict top-down control. As a result, Yukos officials in Irkutsk are not obliged to implement orders coming from bureaucrats in the oblast or city administrations. In one case a bureaucrat tried to dictate the price of ethylene to one of Yukos's subsidiaries in Irkutsk. However, the local managers did not implement the bureaucrat's order because their superiors outside of the region did not want them to do so. Having a powerful Russia-wide reach makes it easier for company to withstand the pressure of local bureaucrats. The highly structured and hierarchical Yukos maintains extensive control over its financial flows. Such company-wide controls make it difficult for local officials to gain leverage over the firm.

However, Yukos does not wield as much influence over regional and local governments as it could because the majority of its taxes go to Moscow instead of regional or local governments. Under current legislation, 60 percent of Yukos taxes go to the federal government, while 25 percent go to the oblast government and 15 percent to the local government. The situation for the region has deteriorated in the last few years as Putin has reoriented tax flows to Moscow and away from the regions.

Additionally, Yukos works hard to "optimize" its tax payments, reducing them to the lowest level through means that it interprets as legal. One such method is registering its affiliates in low-tax regions such as Mordovia. The result is that the company pays less tax overall and Irkutsk authorities do not see much of this income. In fact, almost everybody interviewed in Irkutsk complained that the region saw little tax benefit from the firms working in the region.

While new business has arrived in the region, the bureaucrats have not changed their ways. According to one company official, under Yeltsin, when the overall atmosphere in the country was more democratic, bureaucrats felt less sure of themselves and were less able to take advantage of their office for private gain. Now that Putin has imposed greater order on society, the bureaucrats feel more confident in what they are doing and are more likely to take advantage of the situation for their own benefit. In his efforts to "strengthen the state," Putin has actually only increased the power of the bureaucrats over society, according to this point of view.

The evolution of small business in Irkutsk has likewise had little effect on the way oblast officials behave. Small business produces up to 10 percent of the region's output, according to the governor. Regional officials speak glowingly of the increased tax revenues that they expect to gain from small business. But research conducted by the Baikal State University of Economy and Law shows that in fact regional and local authorities do very little to stimulate small business. Thus, while Irkutsk officials would like to benefit from the growth of small business, they do not take concrete measures to ensure that small business actually develops. Thus, the appearance of small business so far has not stimulated major change in the way the government functions in Irkutsk.

Foreign business is less well represented in Irkutsk than Russian business big and small. However, the prospects that foreign business will influence the system seems small. In the first part of July, a group of western firms came to Irkutsk to examine potential investment opportunities in the forestry sector. In meeting with them, Deputy Governor Georgii Trifonov promised that in terms of providing preferences to the investors, "the regional authorities would approach each individually" (*Vostochno-Sibirskaya Pravda*, 8 July). Such individualized treatment, simply extending to foreigners the way that the oblast administration deals with domestic business, again suggests that the arrival of new business will not change the rule of law situation in the region.

Thus, the appearance of new business in Irkutsk has had little impact on the way that regional and local government works. Bureaucrats rely on individualized, case-by-case treatment rather than developing an overall set of rules that applies to all. The failure of new business to have greater impact on the situation lies partly in the federal tax system, which transfers most taxes to the federal level and gives regional government little incentive to improve business conditions as a way of stimulating greater public revenue. Additionally, Putin's overall crackdown on democratic institutions makes it easier for bureaucrats to pursue their own interests with little fear of oversight. The

potential impact of new business in Irkutsk is currently blunted because of Russia's poor fiscal and political arrangements. - Robert Orttung in Irkutsk

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## **COMMENTS AND QUESTIONS**

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**RUSSIAN-GEORGIAN RELATIONS**

**KRASNODAR PREPARES FOR HOSTILITIES.** Authorities in the Russian border region of Krasnodar fear that the increasing tensions between Georgia and the breakaway region of Abkhazia will negatively affect them. Tourist firms and many Russians who had planned to vacation in the region are now in a panic.

On 31 July, Georgian border guards opened fired on a Turkish ship heading for the Abkhaz port of Sukhumi. In response, the Abkhaz authorities broke off negotiations with the Georgians. The Abkhaz authorities then threatened to sink all Georgian ships in their self-declared waters. Georgian President Mikhail Saakashvili on 3 August warned Russians not to vacation in Abkhaz resorts, declaring that Georgia's defenders would shoot at all Russian ships seeking to go to Abkhazia and sink them. He declared the Abkhaz coast a "closed zone" and warned that all who desired to enter it required permission of the Georgian authorities.

Abkhazia borders on Krasnodar Krai. Since Georgia has imposed an economic blockade on the region, Russian tourists are the main source of income for Abkhaz residents and state budget. In recent years, the area's resorts have become very popular among Russian tourists, particularly because they offer beautiful beaches at extremely good deals. By simply crossing the border, Russians find prices that are one-fifth to one-third what they would be in Russian resorts such as Sochi. Every day thousands of Russian tourists leave from Sochi over land and sea to visit Abkhazia. According to Abkhazia First Deputy Prime Minister Astamura Tarba, this summer 600,000-700,000 Russians planned to visit the region.

Naturally, the Georgian authorities see the flow of Russian tourists into Abkhazia as providing financial support to the separatists and would like to curtail it. During a speech in Washington on 5 August, Saakashvili noted that Abkhazia was a hotbed of crime and corruption which was destabilizing the entire Caucasus region.

However, the Russians viewed Saakashvili's threat to sink ships with Russian tourists as violating all international norms and common sense. No matter how Russia's relations have developed with neighboring countries, no leader of a former Soviet republic has threatened to kill Russian civilians until now. The Russian Foreign Ministry reacted strongly to Saakashvili's statement, saying that any attack on Russian citizens would be seen as a hostile act.

Obviously, a major naval battle is not looming. More serious is the possibility of a land conflict if the hostilities escalate. Abkhazia's armed forces may be less well supplied than their Georgian counterparts, but they are well prepared for mountain fighting, as the experience of the wars in 1992-1993 demonstrated. Additionally, they can count on the support of the Muslim peoples in the North Caucasus.

The Krasnodar authorities are watching the events in Abkhazia with deep alarm. They are not merely concerned about the loss of income for local tourist firms, which will eventually hurt the regional budget. If the two sides start fighting, the flow of refugees from the conflict zone into Krasnodar will be great. There will likely be large movements of illegal armed groups across the border and an activation of extremist Muslim organizations in the wider region. - Sergei Danilchenko in Krasnodar

## **BUSINESS AND POLITICS**

**NEW VOLGOGRAD MAYOR FAVORS MOSCOW CAPITAL OVER LOCAL ELITE.** The activities of Volgograd's new mayor, Yevgenii Ishchenko, during the last several months have caused a series of scandals. Most of the conflicts involved redistributions of property that have taken place since the former Moscow banker rose to power in the city.

Despite some early roots in Volgograd, Ishchenko made his career in Moscow and has close ties to big business interests there. In the 1990s, he served on the board of the MDM Bank. He won election as mayor in the city's October 2003 elections. His victory was not easy. For four years he courted voters by publishing a free newspaper, *Den' za dnem* (*Day by day*) with a print run of 300,000 copies. Pensioners and the city's poorer residents used the paper as a TV guide and also received a dose of propaganda backing Ishchenko. Having changed parties four times in his relatively short political career, Ishchenko demonstrated his ability to survive in Russia's current political conditions. He succeeded in joining the pro-Putin United Russia party shortly before the 2003 mayoral elections. Ishchenko's efforts to win the mayoral elections in 1999 failed as he could not unseat incumbent Yurii Chekhov, who had been in office since 1991. In 2003, the divided local political elite, an effective propaganda campaign, and a United Russia party card helped the ambitious financier win.

Only a few months after taking office, Ishchenko has provoked a wave of conflicts. In particular, he has made conditions very difficult for local business. Many local businessmen interpreted his decision to raise rent for municipal property as an attack by Moscow-based firms seeking to push out the "aborigines" from the most

lucrative sites. Because they cannot afford to buy property, many city shopowners rent the land and buildings for their shops from the city. Ishchenko claims that he is raising rents for city property in order to bring more money into the city budget. However, in practice, many local small and medium businesses cannot afford the higher rents. The only firms capable of paying these rents are big businesses coming from out of town, while the city agencies monitoring the process are making superprofits. Local observers describe what is happening as colonization by Muscovite financial speculators with the backing of the city authorities. But raising rents on city property is only one link in Ishchenko's policies.

The mayor's decree that 12 percent of all new living space built by construction firms must be turned over to the city effectively gives him control of a huge supply of real estate. Part of Ishchenko's career in Moscow was connected to real estate, so he knows this business well. Oblast Procurator Nikolai Shepel' has labeled Ishchenko's actions as effectively creating a "state racket." Additionally, the adoption of retroactive rate hikes for municipal services (the hikes went into effect 1 December 2003, but were not published until January, when the mayor was on vacation) and a near doubling of bread prices in comparison with one year earlier, aroused great concern among local media outlets beyond the mayor's control. In the center of the city, several major stores changed ownership and product lines. There were loud scandals caused by the managers and workers of the stores, who lost control of stores where they had once worked. These moves have brought attention from the city's trade union and the prosecutor, who is investigating the legality of several of these decisions.

Until the beginning of June, the Volgograd city council served as a major counterweight to the mayor's policies supporting Moscow big business. The body lobbied for local interests and was mostly made up of Communists. The June elections brought to power in their place representatives of the United Russia party. The city council will now work to support the policies of the mayor. The June elections were repeats of March elections, when the voting in many districts was declared invalid due to a large number of electoral law violations. However, during the subsequent months, the mayor's team managed to regroup and gain a better sense of how to campaign effectively. The June elections were conducted peacefully and brought the results that the mayor had sought. Now the mayor is free to divide up city property.

A huge conflict surrounds the fate of the office building once owned by Agroprombank. In the beginning of the 1990s, the glass and concrete structure was erected on the condition that it would host a museum and exhibition space. After the bank went out of business, the building, valued at \$28 million, was sold to firms affiliated with Ishchenko for \$2 million. More than 30 representatives of the Volgograd creative intelligentsia signed an open letter asking President Putin to look into the situation surrounding the building. Now the new owners are doing everything they can to turn the area's best exhibition space into a restaurant, including a pizzeria and a bath house. The open letter complained that the new owners were seeking to drive out the exhibition hall by shutting off its electricity and air conditioning, thereby damaging the exhibits. In another incident, the mayor's wife offered to finance the remodeling of a children's day care center. However, the procurator opened an investigation when it turned out that the building plans included a bar, Jacuzzi, and other elements that were not compatible with the normal development of youngsters.

The list of conflicts between Ishchenko and various social and economic groups is quite long. One such conflict, connected with the Volgograd river port, recently ended tragically. On the night of 25 June, city council member Stanislav Safonov was shot in his home. He had fought with Ishchenko over the Agroprombank building and the port. Safonov had intended to file a case with the arbitrazh court over the bankruptcy of the port. In this case there could be hidden conflicts about the redistribution of the port's property.

The processes taking place in Volgograd are speeding up and could be described as a second, shadowy privatization. This transfer of property is not carried out by the state, but by several oligarchic groups, by taking shares from the legal owners of privatized property and, where possible, state packets in strategic enterprises. These oligarchic groups are using the techniques of hostile takeovers and the levers of financial policy which the city administration controls.

Despite his success in the city council elections, Ishchenko is further provoking the opposition of the local elite. His ties with the Kremlin have also considerably cooled. Reportedly a high-level federal official visiting in the spring warned Ishchenko that Moscow does not want to have to deal with dead mayors. How long Ishchenko can survive with intense local opposition and cool relations with the Kremlin remains to be seen. - Mikhail Kochkin in Volgograd

## **GUBERNATORIAL ELECTIONS**

**SCANDAL, INTRIGUE SURROUND NEW SAMARA ELECTIONS.** Samara Oblast has been in a state of uncertainty since the federal court in the oblast ruled on 30 June that Governor Konstantin Titov's term would end 2 July and set gubernatorial elections for 19 September 2004. A long-time opponent of Titov, deputy speaker of the Samara legislature Natalia Bobrovaya, brought the case to the court. Bobrovaya successfully argued that Titov illegally had his term lengthened from 4 to 5 years by the regional legislature in 2000. Gubernatorial elections had been set for 2005, but now will be moved up to this year.

Titov has announced that he will seek another term. He has already been in office almost 13 years, making him one of the longest serving Russian governors.

The outcome of the elections is in some doubt because the Kremlin and the pro-Putin United Russia party have not indicated which candidate they will support. Even the date of the election is not clear. On 22 July the Russian Supreme Court overturned the decision of the Samara court setting the elections for 19 September at the request of the Central Electoral Commission Chairman Aleksandr Veshnyakov. The court must now set a new date, likely in October or November. Having the elections on 19 September would benefit Titov because it would give his opponents less time to organize. Pushing the elections back would help his adversaries.

According to *Kommersant* (31 July), United Russia's Supreme Political Council recommended supporting Titov, but the party's General Council has not made a final decision yet. Titov has not exactly been loyal to Putin. He ran against Putin in the 2000 presidential elections and since then has served as the head of the Social Democratic Party of Russia. In exchange for the Kremlin's support, Titov may be forced to give up his party and become a member of United Russia. Having to make this concession would

be a considerable blow to Titov's prestige. Some sources suggest that the Kremlin wants to replace Titov with someone who would be more loyal.

This is the second time that Titov has participated in snap elections. In April 2000, he resigned his governor's position after coming in sixth place in the presidential elections. However, Titov then scored a decisive victory in the 2 July 2000 Samara gubernatorial elections. - Sergei Khazov in Samara

## **FEDERAL-REGIONAL RELATIONS**

### **NORTHWEST PRESIDENTIAL ENVOY BECOMING SECONDARY**

**POSITION.** During the last 18 months, the office of presidential representative to the Northwest Federal District has gone through several changes. First created in May 2000, Putin's seven presidential representatives were the most prominent institutional expression of his plan to crackdown on the governors. The main task of the first presidential envoy in the northwest, Viktor Cherkesov, was to remove St. Petersburg governor Vladimir Yakovlev from office. When this task was nearly complete in March 2003, Putin put Cherkesov in charge of a new agency to fight the drug trade, and Cherkesov took many of his former KGB colleagues working in the envoy's office with him.

Subsequently, Putin appointed Valentina Matvienko to the position of envoy. She used it as a stepping stone to secure Yakovlev's departure and eventually win the office of St. Petersburg governor for herself. As soon as she left the post to campaign, first deputy envoy Andrei Chernenko took over as the acting envoy. Presidential Chief of Staff Aleksandr Voloshin lobbied for Chernenko to be appointed as the envoy until he resigned from his high Kremlin post in October 2003 to protest the arrest of Yukos chief Mikhail Khodorkovsky.

In Putin's thinking, the election of Matvienko as Petersburg governor turned the position of northwest envoy into a second tier slot. Voloshin's departure gave Putin the chance to appoint what he considered an ideal candidate - Ilya Klebanov. The former minister of industry and science, Klebanov had no prospects for a future career in the government. As a relatively weak political and bureaucratic player, he did not pose a threat to Matvienko.

Klebanov's appointment had implications in Petersburg because Klebanov in the past had good relations with the powerful head of Promstroibank St. Petersburg, Vladimir Kogan. Since two other bank representatives are now serving in the St. Petersburg city government, the financial institution has now significantly strengthened its position in the city.

Klebanov inherited an institution with a rather difficult personnel situation. Among the key staffers were holdovers from Cherkesov's tenure, Matvienko's tenure, and former acting St. Petersburg governor Aleksandr Beglov, who in October 2003 became first deputy envoy in reward for his loyalty to the federal government. The administrative reforms adopted by Putin after he secured his second presidential term brought on further confusion, as Klebanov was now only allowed to have two deputy envoys.

After many intrigues, it seemed like everyone was happy. Chernenko returned to his post as head of the Federal Migration Service. Beglov took over as director of the presidential administration's main control administration. Klebanov's deputies became

Cherkesov protege Lyubov Sovershaeva and Matvienko protege Aleksandr Nesterov. Klebanov appointed his own loyalist Mikhail Lychagin as an assistant.

According to people who have known him from the early 1990s, Klebanov has deeply changed, apparently becoming old and run down. He now rarely talks about restructuring defense enterprises, his favorite topic of recent years. With a Putin loyalist as governor in Petersburg, the envoy's post has lost its status as a political player with broad oversight powers. Since January 2004, Klebanov's office has faced budgetary cutbacks, reducing his ability to hire well qualified professionals, leading to their exit to the St. Petersburg city government, Moscow, or business. Further cutbacks are expected by the end of the year. Just before the third anniversary of the institution in May 2004, Klebanov announced that he was moving from the grand palace he occupied on the Petrovsky embankment to more modest offices on Vasilevsky Island.

Most likely Klebanov will try to increase the power of his office by seeking to play a major role in the ongoing process of combining Russia's current 89 regions into a smaller number. Among the possibilities currently under discussion are the mergers of St. Petersburg with Leningrad Oblast, the union of Novgorod and Pskov oblasts, and the inclusion of the Nenets Autonomous Okrug in either Komi or Arkhangelsk. Klebanov has a strong interest in pushing forward these interregional mergers because he is the likely power broker in ironing out the details of who gets what.

Klebanov has also sought to weaken Matvienko in her position as governor, but she has successfully blocked all of his initiatives so far. In particular, Klebanov sought to extend his power over St. Petersburg's ship building industry and secured Federation Council Chairman Sergei Mironov's backing in his plans. In the beginning of 2004, Klebanov sought to remove the head of the Admiralteisky Shipyards Vladimir Aleksandrov. Aleksandrov has longed blocked the privatization of his shipyard and its merger with the city's other two shipyards into one giant company. Now finally the Admiralteisky Shipyards are being prepared for privatization in a process that usually puts the director in an advantageous position. Matvienko blocked Klebanov's plans to sideline Aleksandrov by decisively backing him, using in particular her connections with Promstroibank. Additionally, Matvienko blocked Klebanov from appointing Beglov deputy envoy as he wanted.

The future of Klebanov's position depends on how decisively the Kremlin decides to speed up the process of merging Russian regions and the success or failure of Matvienko's economic policies in St. Petersburg. - Daniil Tsygankov, Moscow-St. Petersburg

## **INTELLECTUAL PROPERTY**

**BELGOROD COURT FAILS TO PROSECUTE VIDEO PIRATES.** Pirated software, films, and music is widely available in the Russian regions and Belgorod is no exception. On the local Lenin Prospect, one can pick up Adobe's Photoshop or Illustrator for \$2 to \$2.50. The latest Harry Potter movie sells for approximately \$4.

The police usually only press charges if there is a victim. Thus it is much easier to buy homemade copies of products when the copyright owner is a western firm. The works of Russian singers and Russian films are much harder to find.

Belgorod's trade in pirated CDs and DVDs flourishes because of its proximity to Ukraine, which produces the lion's share of the disks and sends them across the border to Russia. Pirated audio and video cassettes are prepared locally.

A recent court case against one of the region's most prominent pirates ended to the complete satisfaction of the purveyors of others' property. For the last several years, the firm Dinamik supposedly illegally sold copies of western and Russian films, according to the regional procurator. He charged that the company employed more than 60 video machines for making copies, packaged the final product in plastic wrap, and made a handsome profit selling the tapes in local stores under the brand name Konica. Officially licensed versions of the same videos simply could not compete because they were much more expensive.

In March 2003, the police raided the firm, confiscating its equipment for copying films, more than 3,000 videocassettes, 47,000 cassette casings, and lots of other material. For the first time in Belgorod, a firm faced charges for copyright violations and illegal use of a brand name. The procurator charged that Dinamika Director Vladimir Ageev had made nearly 13 million rubles in his illegal business operations.

Ultimately, the Sverdlovsk Raion Court in the city of Belgorod ruled that Dinamika had violated trademark rules and had consciously made pirated videos. However, the court found that these actions had not caused any financial or reputational harm to Konica, since the procurator did not prove that the goods had actually been sold. The judge found Ageev innocent of violating intellectual property rights and dismissed the charges about illegally using a trademark, ruling that there was no evidence that a crime had been committed. Moreover, the judge returned to Ageev all the property that had been confiscated.

Although the case is now being appealed, Belgorod's stores are once again selling videos of suspicious origin. These videos had disappeared in recent months. - Sergei Sarychev in Kursk

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In a letter to Virginia Governor Robert Brooke, George Washington explained his idea for a great "national university" to be established in the nation's capital city. Washington did not see this university in his lifetime, but approximately one hundred years later, in 1893, Washington's dream was realized when American University (AU) was chartered by an Act of the United States Congress. Through the vision of Methodist Bishop John Fletcher Hurst, the idea of a national university, an idea born with the nation itself, came

into being. Today AU is an independent university with more than 11,000 students from all 50 states and nearly 150 foreign countries enrolled in undergraduate, master's, doctoral, and professional degree programs.

The Transnational Crime and Corruption Center (TraCCC) is the first center in the United States devoted to teaching, research, training, and policy advice in transnational crime, corruption and terrorism. Originally founded in 1995 with seed money from the MacArthur Foundation and funded by the United States Government and private foundations, TraCCC's basic goal is to better understand the causes and scope of transnational crime and corruption and to propose well-grounded policy. Much of our work to date has focused on the analysis of transnational crime and corruption in the countries of the former Soviet Union. In achieving our goals, we work with the public, media, law enforcement, policymaking, legislative, judicial, academic and business communities. To undertake this kind of collaborative work, we have partnered with the best scholars and practitioners in Russia, Ukraine and Georgia through multidisciplinary research centers.

### **The Federal Institute of Technology (ETH) Zurich and the Center for Security Studies**

The Federal Institute of Technology Zurich (ETH, according to its German acronym) was founded by the Swiss government in 1854 as a polytechnic and opened its doors in Zurich in 1855. Until 1969 it was the only national university in Switzerland. Today it is part of the ETH domain, which is made up of the two universities in Zurich and Lausanne (the EPFL) and four national research institutes. The ETH itself comprises 83 institutes and laboratories, 330 professorships, and about 840 lecturers who fulfill teaching obligations and conduct research. A staff of more than 7,500 - 25 percent of whom are women - work in teaching, research and administration. The ETH currently has 11,700 registered students.

The Center for Security Studies specializes in the field of national and international security studies. Activities include research, teaching, and information services. Since its founding in 1986, the center has developed two electronic information services - the International Relations and Security Network (ISN) and the Information Management System for Mine Action (IMSMA). Due to the steady growth in research activities and the increasing number of tasks and functions it undertakes, the center now has a staff of about 75 people working in research and teaching. It is part of an international network of scientific institutions and organizations and cooperates with numerous partners. The center's expertise has made it an important resource for public administrators and the media, and the center functions as a political consultant to the Swiss Federal Government.

### **COMMENTS AND QUESTIONS**

Please send all comments and inquiries to Robert Orttung ([rorttung@att.net](mailto:rorttung@att.net)), the editor of the Russian Regional Report.

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**FAR EAST**

**CORRUPTION SLOWS CONSTRUCTION OF MOSCOW-VLADIVOSTOK**

**HIGHWAY.** The Amur federal road is the last, uncompleted, 2,100 km-long stretch of what ultimately will be the world's longest highway, one that will link Moscow and Vladivostok. When it is finally finished, this project will end the monopoly of the trans-Siberian railroad for connecting the Russian east and west, spur regional economic growth, and change patterns of regional travel.

The first attempts to build a trans-Eurasian road were launched in 1978, simultaneously with construction of the Baikal-Amur railway (BAM). While BAM was completed, the road has long remained nothing more than a dream. The project came to a virtual stand still in 1980's. Builders made efforts to revive the project in the 1990's, but rampant corruption prevented much progress. At that time, the project was notorious for being a black hole for federal funds and a gold mine for unscrupulous speculators. Observers estimate that over 40 billion rubles (\$1.3 bln.) have been spent on the road since 1978 (in 2003 prices).

Despite such significant monetary outlays, the road is far from being complete and it may take several more years for it to become fully operational. However, this fact did not prevent President Vladimir Putin, Khabarovsk governor Viktor Ishaev, and presidential envoy Konstantin Pulikovskii from celebrating the opening of the road in March, on the eve of Russia's presidential elections. It is unclear whether Putin was aware of the real situation with the road but he clearly wanted to trumpet its progress as the voters went to the polls.

The celebration was premature since the road in many parts (especially in the Jewish autonomous region) is simply non-existent. In essence, this superhighway is a mixture of unfinished stretches interlaced with some sections of newly-laid asphalt. In places where the previous road had been destroyed and the new one has not yet been built, a detritus of stones from nearby hills serves as a "work in progress." When it rains, very few vehicles stand a chance of navigating this adventure. Hundreds of pieces of heavy machinery scattered along the road work to move piles of gravel from one side of the road to the other.

The Transportation Ministry boasts that in 2003 it managed to finish 87 kilometers of the road and build 15 bridges (though very few are larger than a few meters in width). While the ministry complains about a lack of financing, the main problem is the rampant corruption hampering the project.

One difficulty is that the military has been responsible for building parts of the road. The areas that the military controls have made the least amount of progress. Schemes which allow mid- and top-level military officials to boost their personal wealth are shockingly simplistic. Typically officers working at the headquarters of the Far Eastern military district based in Khabarovsk, which oversees army supply, tend to favor suppliers who are not necessarily the best available, but who have no problem in sharing their income with army officials. Another typical scheme is to write off construction hardware as broken. Dozens of trucks, tractors, and other heavy machinery supposedly break down in the Far East's extreme conditions, but are later spotted in neighboring regions. Such problems are widespread in civilian-controlled parts of the road as well.

Even before its completion, the road has become notorious for the highway robbers who work its vast stretches. Each day 500-700 entrepreneurs who buy Japanese cars in Vladivostok set off along the road to transport their vehicles to Western Russia for sale. As they approach Khabarovsk road bandits demand that they pay \$200 for the right to pass through their territory. The Khabarovsk Krai police have long ignored the issue. Some local observers claim that the leader of the robbers is related to top police officials.

Unorganized crime also has had an impact. Earlier this year the European Bank for Reconstruction and Development (EBRD) had almost called off its program of support for the project after its inspector was killed in an Amur region village, apparently by local drunks. The EBRD which has already provided a \$130 million loan and has been considering a plan to expand the financing program with another loan of \$190 million this fall, most likely will think twice. - Vyacheslav Shirokov in Vladivostok

## **SOCIAL ISSUES**

**PROTESTS FILL TYUMEN SUMMER.** Traditionally, the summer months of July and August are the dead season for politics, but this year Tyumen Oblast witnessed several street demonstrations focusing on a wide variety of issues. In several cases, numerous demonstrations were held to address the same topic because the authorities did not address the protesters demands.

-- The first set of protests sought to protect local forests from logging activities. The demonstrators sought to prevent the loggers from doing their work and their rallies stretched out over several days. A wide variety of local social and political groups joined the environmentalists in their efforts. Having achieved some success, the activists decided to keep their coalition together and now meet once a week in the offices of the "For Human Rights" organization. Some members of the group support traditional Communist causes, while others are in the "democratic" camp. They are all united by common concerns: they have largely been excluded from public life and the local electoral commission generally blocks their candidates from registering in local elections.

-- For 25 days, communist organizations held a vigil to ensure that the local Lenin statue would not be removed when the square it stood over was refurbished.

-- On 28 July, the Tyumen Oblast Trade Union Center, a more radical alternative to the Oblast Council of Trade Unions, which is a holdover from the Soviet era, held a protest in front of a local police office in Tyumen. The protesters complained about the treatment of their colleagues who they claimed were abused by the police at a November 2003 demonstration. The police did not provide any information about what happened at the earlier demonstration and no police officer had been punished for abuses then. Later, on the holiday marking the 60th anniversary of the oblast, protestors gathered to denounce "police tyranny." The protesters noted that they had to hold a second rally because their demands were not met the first time around.

-- The largest summer demonstrations came in response to the Putin inspired plan to transform some benefits from in-kind services to monetary payments. Putin has now signed this policy into law. At the rally, demonstrators circulated petitions to recall United Russia Duma members who supported the plan. This demonstration also drew support from a wide range of protest groups. - Yelena Arbatskaya in Tyumen

## **ASTRAKHAN OBLAST**

**ASTRAKHAN GOVERNOR DIES UNEXPECTEDLY.** Astrakhan governor Anatolii Guzhvin, 59, died of a heart attack on 17 August while he was on vacation in Sochi. He had been at the head of his region for the last 18 years, since 1986, when he took charge of the local Communist Party organization. Sitting at the top of the Caspian Sea, Astrakhan has great strategic importance for Russia and is known as a transportation, migration, and criminal center within the country. Who will replace Guzhvin is a question of great importance for the Kremlin.

Guzhvin was a well respected leader. He was the first to raise the question of the status of the Caspian Sea. At his initiative and with the active support of Azerbaijan, the Caspian flotilla was based in Astrakhan. Under his leadership, Russia began searching for oil in the northern Caspian and began developing the region's gas condensate deposits. He also helped develop the north-south transportation corridor and the new port in the city of Olya. During his tenure Iran and Kazakhstan opened consulates in Astrakhan.

In contrast to many of the governors who came to power before or during the Yeltsin era, Guzhvin had a close relationship with President Putin. Thanks to the growing importance of Astrakhan in the Caspian area, Guzhvin had regular meetings with Putin and held the president's trust. In attending Guzhvin's funeral, Putin described him as "one of the best leaders in Russia."

In a meeting with acting governor Aleksandr Zhilkin, Putin expressed his hope that Guzhvin's team would continue his work uninterrupted. Zhilkin will likely be a candidate in the region's planned 5 December gubernatorial elections. Guzhvin had hoped to win another term in that race. - Arbakhan Magomedov in Ulyanovsk

## **ISLAM IN RUSSIA**

**PUTIN, GOVERNOR SPONSORED ISLAM IN ASTRAKHAN.** Islam in Astrakhan Oblast has developed under the special patronage of President Putin and former governor Anatolii Guzhvin, who passed away unexpectedly a few weeks ago of natural causes (see separate story in this issue). On 26 April 2002, Putin visited Astrakhan and met with the mufti of the Astrakhan Regional Spiritual Administration of Muslims (RDUM), Nazymbek Ilyasov.

In a short conversation with the president, the mufti stressed the need for the state to support Russian Muslims. According to Ilyasov, Putin said that the authorities intended to support adherents of Islam in all aspects of life. Putin apparently offered to help in spreading the religion. Ilyasov had previously met with Putin in Moscow to discuss religious issues.

Until the end of the 1980s, the religious societies of the four mosques in Astrakhan were organizationally independent. New management structures began to appear around 1990 and in 1991-92 the RDUM was formed.

Since that time, Ilyasov has been the oblast's mufti. Additionally, he was elected deputy to the supreme mufti, the chairman of the Central Spiritual Administration of Muslims of Russia and the European countries of the CIS. Talgat Tadzhuddin is the head of this organization, which is based in Ufa.

Today in Astrakhan, there are 39 Muslim spiritual societies and 11 groups. Muslims pray in 32 mosques (7 of which are designated as historical monuments) and 6 houses of prayer. During recent years, with the support of regional and local governments and their own resources, the Muslim associations have built or refurbished 16 cultural buildings. Six mosques dating from before the 1917 revolution have been restored and returned to the believers or are in the process of being restored. Additionally, there are two new Islamic centers, built on the base of the region's largest mosques, and the new Islamic Institute graduated its first class in July 2003. The rector of the institute is Mukhammed Val Abdat, a native of Algeria who later studied in Astrakhan. There are 2-3 independent Islamic foundations which support and propagate the cultural values of Islam and organize the hajj to Mecca and Medina each year.

So far, 2004 has marked new initiatives in the oblast authorities' support of Islam. On 21 June Guzhvin held a meeting to discuss the restoration of two Astrakhan mosques - the White and the Black. Business representatives were present at the meeting and they were encouraged to help finance the reconstruction work.

Work on the White Mosque began in 2001 and since that time only 3 million rubles of the necessary 15 million have been raised. When apprised of the situation, Guzhvin set aside 0.5 million rubles from the oblast budget. At his suggestion, business people began to contribute as well. Mirgadzhi Guseinov's construction firm Stroiservice-L, Viktor Vinokurov, head of the firm Kasryba, Lukoil Shelf Ltd, and others agreed to contribute 100,000 rubles each, bringing the total amount of money raised at the meeting to 1.7 million rubles. Leader of the Dagestani diaspora in Astrakhan, State Duma member Alikber Pashaev, agreed to cover the 12 million ruble bill for restoring the Black Mosque personally (*Volga*, an independent Astrakhan newspaper, 23 June 2004). - Arbakhan Magomedov in Ulyanovsk

## **BUSINESS AND POLITICS**

**KRASNODAR GOVERNOR, MAYOR WAGE WAR ON EACH OTHER.** At the end of the summer, a battle suddenly broke out between Krasnodar Governor Aleksandr Tkachev and Krasnodar City Mayor Nikolai Priz. The conflict recalls the kind of dispute that was common in Russian regions at the end of the 1990s, but became relatively rare since Putin came to office in 2000. It is even more surprising since Tkachev and Priz have gotten along relatively well for the last three years. Priz won a second term on 14 March with Tkachev's strong backing. The main prize at the center of the conflict seems to be who will control business in the region.

Things began to fall apart at the end of July. At that time, the governor set up a special committee to investigate complaints about abuse of office by the mayor's staff. Mayor Priz blocked the committee's work, charging that all the issues it sought to investigate were within his jurisdiction. With police backing, the committee confiscated documents from seven mayoral departments.

As a result of the information gathered, the procurator filed charges against two of the mayor's key deputies. Ivan Levchenko is the first deputy mayor dealing with economic issues and municipal property. He handles issues related to industry, transportation, city property, and city land. Additionally, he is the chairman of the presidium of the council of directors of Krasnodar enterprises. Recently, he also began to head the mayor's council on investment, which will oversee all investment projects in the city. The second target was Pavel Vertlib, a deputy mayor who handles the construction industry. The two face charges of exceeding their official

powers. While the court materials remain secret, it is well known that both bureaucrats are accused of abusing the process of issuing licenses for construction work.

The mayor's supporters charge that the real target is not the activities of the deputies, but the removal of the mayor from office. Residents of Krasnodar Krai elect their mayors and the governor does not have the right to remove them from office. However, during the three years that Tkachev has been in power, more than 30 mayors have left office. In most cases, they have resigned voluntarily after the governor or one of his deputies criticized them. Most likely, the governor's administration collected incriminating evidence against each of them and the officials left office with a promise that they would not be put on trial. In other cases, such as in the city of Novorossiisk, the governor has brought charges against a mayor who would not leave voluntarily.

Now apparently Tkachev is trying to push out Priz. The city's finances are in disarray and Krasnodar owes 15.4 million rubles in back wages to municipal workers. City officials claim that these debts are a result of the work they must do to prepare the city for winter, changes in federal tax legislation, and smaller subsidies from the krai. The procurator has filed charges against the mayor for these debts, but most likely, this action was psychological rather than legal, since Russian legislation does not envision removing an elected official from office for such debts. The head of a firm could be fired on such grounds, but not a public officer.

Even before the court makes its opinion known, both sides are seeking to discredit the other and win over public opinion. The governor-controlled media has strongly criticized the mayor and has given extensive publicity to the city's problems. Krai television has shown video clips in which homosexuals offer their support to Mayor Priz, generally considered a damaging alliance in Russian conditions. Priz, for his part, has accused the governor of artificially creating a deficit in the city budget.

In the heat of the battle, the real reasons for the conflict remain obscure. It is hard to imagine that during recent months the governor's administration simply did not notice all the problems it is now accusing the mayor of creating. According to rumors circulating in the city, the main cause of the conflict is that the current financial-industrial groups investing in Krasnodar are competitors to other groups which have the governor's backing. - Sergei Danilchenko

## **FOREIGN INVESTMENT**

**KAZAKH BANK MOVES INTO MORDOVIYA.** The Kazakhstan-based Turan Alem bank, in the person of the chairman of its board of directors Erzhan Tatishev, has signed a cooperation agreement to invest in Mordoviya business. The bank is the largest commercial bank in the CIS.

The bank is particularly interested in the Mordoviya Train Car Construction Company. It financed the purchase of 1,000 cars for a price of 1 billion rubles. The bank will likely invest 1.5 billion rubles in modernizing the plant, allowing it to increase output to 10 billion rubles a year.

The bank is planning other activities in the region as well. Unlike Russian banks, it provides medium and long term loans and conducts its business in a transparent manner, making it similar to western banks. However, the Kazakhs, unlike their western competitors, have a much better understanding of how the Russian economy works. The bank's ability to finance housing mortgages, for example, will be in great demand.

Turan Alem bank has invested about \$500 million in the Russian economy during the last two years, winning Tatishev the "In the Name of Russia" medal. Until recently, however, the bank has only worked in Russia's industrial regions, so moving into Mordoviya will be a new stage in the bank's development. - Igor Telin in Saransk

## **RELIGIOUS CONFLICT**

**SARATOV ORTHODOX CHURCH SEEKS TO BLOCK MORMONS.** For the first time in its history, Saratov is becoming the arena for a serious religious conflict. The point of conflict is the plan of the local Mormon society to build a church complex in downtown Saratov. Acting through a private individual, the group has already leased a plot of land. The Mormon plan has attracted the ire of the leaders of the Saratov branch of the Russian Orthodox Church and the head of the Spiritual Administration of Muslims of the Volga.

This church would be the third Mormon building in the region. The first is located in the remote Lenin raion and the second is in the city of Engels, a satellite city of Saratov, on the other side of the Volga. Additionally, the Mormons have an office in a local institute. Construction plans envision a church and a meeting room.

The first religious leader to denounce the plan was the bishop (*episkop*) of Saratov and the Volga, Longin. Longin, an extremely ambitious figure, was appointed as the head of the Saratov church last year and immediately became visibly active, changing the face of the local church and transforming its relations with the oblast and city authorities. While his predecessor Aleksandr had almost no contact with secular officials, Longin has already become one of the most visible figures in the region. Some sources even claim that he has consulted professional image makers, such as the Moscow-based Foundation for Effective Policy, to increase his standing in the region. He has expanded construction of new orthodox churches and made claim to a number of buildings that belonged to the Orthodox Church before the revolution.

On the Saratov church's web site, which appeared after Longin took over, there is a page actively fighting against totalitarian sects, which in this context includes a large number of mainstream religious groups though ones that are not traditionally found in Russia. The contents of this site have already led a number of individuals to protest to the governor, oblast procurator, human rights ombudsman, mayor, and the bishop himself accusing the Saratov church of "violating the existing stability in society."

Longin has sent an open letter as Governor Dmitrii Ayatskov asking him to block the construction of the Mormon church. He claimed that the construction of such a house of worship close to an existing active Orthodox church would be an insult to Orthodox church members. Soon, the politically active leader of the Saratov Muslim community Imam Mukadas Bibarsov joined to support Longin. He likewise sent a letter to the governor and mayor noting that a mosque already stood near the planned site for the church. The imam also used political arguments to back up his case, noting that in his opinion an overwhelming majority of Muslims have negative views of the USA, the homeland of the Mormons. Nevertheless, he stressed that Muslims were tolerant of all religions.

Since the secular leaders did not react to these letters, Longin decided to take a step unprecedented for Saratov. With church backing, he held a demonstration to protest the construction which gathered over 3,000 participants. Slogans at the meeting called on the Mormons to leave Saratov and not to "corrupt pure souls." Orators, including Longin, called on residents of the region to be careful in their dealings with the Mormons and warned people about what were described as the Mormons' unusual religious practices. On 7 August, there was an analogous rally organized this time by the Volga Cossack force. Ataman Vladimir Morozov warned that the church would be built dangerously close to Saratov's administrative buildings and that it would attract Mormons from all over the country. So far the Mormons are planning to proceed with the construction.

The local authorities have not reacted to the situation. Only a semi-official representative of the mayor's office said that the mayor could not limit the activity of any religious organization as long as it did not violate the law. Likewise, no one has taken any action against the Saratov Orthodox Church. - Ilya Malyakov in Saratov

## **CENTER-PERIPHERY RELATIONS**

**OPPOSITION HOPES TO BENEFIT FROM KOMI'S FINANCIAL PROBLEMS.** In 2004, Komi Republic has witnessed substantial economic growth and has benefited from increasing financial stability compared to the last two years. The republic's budget had a surplus during the first half of the year, wage arrears to public sector employees dropped, and some funds became available for such projects as repairing roads and schools.

However, financial problems may still become the main headache for the republic's leaders. Thanks to constantly changing federal policies, the republic's sources of income decline each year. Republican leader Vladimir Torlopov recently announced that thanks to recent changes in the federal tax and budget codes, the republic would lose an additional 2 billion rubles of income in 2005. The changes affect the distribution of profit taxes between the federal government and the regions. The tax rate is 24 percent of profits earned by an enterprise and comprises one of the main sources of revenue for regional budgets. Currently 79 percent of that income stays in the regions. Next year only 73 percent will remain in the regions. Additionally, the regions will receive much less income from fees generated by the use of natural resources. This policy will particularly hurt resource-rich regions like Komi. The regions will also lose income from the use of water and forestry resources. Moscow's policy is to shift a greater share of the burden onto richer regions, but such moves contradict the interests of the regions because it slows industrial and social development.

The changes in the federal policies can be seen as a gift to the region's opposition. Torlopov's administration said that it would work to change the Finance Ministry's policies, but so far has not succeeded in doing so.

The federal policy is forcing the region to seek income in other places and is leading to the growth of debt and destabilizing the regional financial system. In 2001, Komi borrowed 400 million rubles. In 2002, this figure rose to 500 million, 700 million in 2003, and will be 1 billion in 2004. Unpaid debt doubled in 2004, reaching 1.6 billion rubles, while overall debt reached 2.59 billion rubles (*Krasnoe znamya*, 13 August).

Instability in the banking sector has also hurt the overall situation in the republic. In July the population was worried about the stability of Guta Bank, but in August the republican Bank of Savings and Development collapsed. It had 22,000 depositors and the Syktyvkar city administration used it to make payments. In Komi's capital, 70 percent of public service employees received their salaries through this bank's debit cards and now none of them can access their money.

Torlopov faces intense competition in the 2005 regional elections. After returning from consultations in Moscow, United Russia Komi branch leader Anatolii Karakchiev announced that he would participate in the elections. In a major interview, he claimed that by October the opposition to Torlopov would be structured and united against him and that it would most likely nominate a single candidate (*Zyryanskaya zhizn*, 9 August). However, shortly after Karakchiev's announcement, former governor and current State Duma member Yurii Spiridonov also indicated that he may run (*Zyryanskaya zhizn*, 16 August). - Yurii Shabaev in Syktyvkar

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**TERRORIST ATTACKS**

**AIR BOMBINGS STRIKE VOLGOGRAD ELITE.** In the past weeks, Russia has faced a series of terrorist attacks: suicide bombers blew up two airplanes killing everyone on board, another bomber detonated herself in front of a crowded metro station in the capital, and terrorists attacked a school in Beslan, killing more than three hundred. Each of these attacks affected a different segment of Russian society. The Beslan massacre aimed directly at Russian children, the subway bomber attacked Muscovite commuters, and the airplane bombers, whether by design or chance, targeted the provincial elite.

The jets that took off from Moscow's Domodedovo airport on 24 August were headed for Sochi (with 37 passengers and 8 crew members on board) and Volgograd (35 and 9). The authorities shortly found evidence of the explosive hexogen on board both planes and the Islambuli Brigades took credit for the attacks. Authorities suspect that two Chechen women suicide bombers blew up the planes.

In Volgograd, a city with one million inhabitants, many residents either knew some of the victims personally, by name, or had friends or relatives who were somehow related to the people on the flight. Flights between Volgograd and Moscow are among the few profitable routes for passenger carriers since Russia began adopting market mechanisms in the early 1990s. Aeroflot makes three flights a day between Volgograd and Moscow, the local company Volga-Aviaexpress (whose jet was destroyed) flies another three, and Siberian Airlines recently began flying once a day on the Volgograd-Moscow route.

The late evening jet to Volgograd that was attacked is popular among regional businessmen and important public officials who use it to return home after a busy day in Moscow. Among the victims of this attack were several prominent Volgograd citizens:

- Viktor Lebedinskii, general director of Volgogradtransgaz, Gazprom's regional representative;
- Igor' Bytin, managing director of the Volgograd branch of the commercial bank "Federal Deposit Bank";
- Mikhail Khomchenko, head of the regional supply unit for the Volga railroad; and
- Oleg Belozеров, editor and director of the Lower Volga edition of the popular weekly newspaper "Argumenty i Fakty - Nizhnee Povolzhie."

The jet was piloted by the general director of Volga-aviaexpress Yurii Baichkin, who also was an advisor to Volgograd governor Nikolai Maksyuta on civic aviation issues.

Local authorities have added additional security measures at the Volgograd airport. Guards with dogs trained to smell explosives now stand on duty.

Despite everything, people continue to book tickets for flights. As one Volgograd resident noted, "One learns to be a fatalist from such events. You cannot predict where the next terrorist bombing will take place. It may be a jet, but it also may be train. You may choose to stay home, but we remember that our apartment buildings were also targeted." Generally, there is very little trust in the ability of Russia's security and law enforcement agencies to defend people from yet another suicide bombing. - Ivan Kurilla in Volgograd

**ROSTOV AUTHORITIES CYNICALLY USE ATTACKS FOR THEIR OWN PURPOSES.** All of Russia is in mourning after the terrorist attack in Beslan, North Osetia which took the lives of more than 330 people, many of them children. However, the Rostov Oblast authorities are cynically using the situation for the purpose of electoral campaigning. At a time when ordinary people are trying to do everything they can to help the victims, giving blood or contributing money from their own meager salaries, regional bureaucrats, working in the "best" Soviet traditions, organized a protest demonstration.

They ordered students to attend, threatening them with punishments almost to the point of expulsion if they did not participate. Each student was given a sign board against terrorism printed at a local printing house. Then regional and local officials gave speeches, which largely described their achievements in the battle against terrorism and about how they care about the well-being of Rostov residents. The officials held the mass protests meetings even though the special services warned that there are two female suicide bombers in the city who may be preparing attacks.

The actions of the bureaucrats who use popular grief to increase the popularity of their bosses despite the possibility of new terrorist acts has aroused concern within the public. However, the media, which is under official control, only speaks of universal support for the authorities.

After President Putin admitted in his televised address to the country that the government is unable to provide security to its people, the authorities have begun to attack the remaining civil rights enjoyed by Russian citizens. Now those who speak out with an alternative point of view or criticized the useless and thieving bureaucrats, will simply be declared as people seeking to destroy the national unity and abettors of terrorist organizations. The government seems to have drawn the conclusion that it is much easier to force the opposition into silence than to combat gun-wielding terrorists. - Aleksandr Krasnov in Rostov-na-Donu

## **REGIONAL POLITICS**

### **ADYGEI LEADER FAILS TO IMPLEMENT ILLEGAL AGRICULTURE**

**SCHEME.** Adygeya President Khazret Sovmen has fired his prime minister and agriculture minister for failing to implement an illegal scheme that would have given him direct control over the main source of wealth in the republic - grain. Officially Sovmen fired the high-ranking republican leaders because they did not enact his plan to centralize the sale of grain in the region. The president wanted all grain produced in the republic to be sold to a warehouse under his control. Sovmen argued in favor of this plan by pointing out that all of the republic's farmers had taken credits in the spring to plant their crops and centralizing grain sales would make it possible to force them to pay their debts. The farmers were supposed to give up their grain to government officials, who then promised to sell it at an "optimal" price. The officials would then take the debt owed to the republic and return the rest of the profits to the farmers.

In practice the farmers did not turn in their grain. By the middle of August, they had only provided one fourth of the grain that they had collected. Sovmen illegally enlisted the help of the police in blocking farmers from selling their grain in other regions, but the police were not effective in forcing the farmers to turn over their product.

Sovmen described the collapse of his plan as "sabotage." He declared that he could not now guarantee grain sales and told the farmers to take care of such operations themselves, warning that they would have to find their own funds for future work (*Sovetskaya Adygeya*, 31 August).

Independent observers point out that the farmers had a number of reasons to avoid participating in Sovmen's scheme. They feared that the republican officials running the facilities where they were supposed to deliver the grain would declare the product of lower quality than it was in reality. The farmers were never informed when their grain would be sold. They also had no faith that the grain would be sold at the best price.

An observer who wished to remain anonymous pointed out that the police did not do what Sovmen asked of them because some republican officials, law enforcement officers, and judges rent agricultural land on the black market and participate in trading grain. Rank-and-file police officers were not in a position to block grain movements by their bosses because they feared retaliation.

Media controlled by Sovmen declared that the problems with collecting the grain meant that the budget would not have sufficient funds to pay various public sector workers, such as doctors and teachers. Even the republic's main official newspaper almost could not publish because of a lack of funds.

Two and a half years ago when Sovmen was elected president of this North Caucasus republic, voters viewed him as a brilliant manager who had made a personal fortune in country's gold mines. Today little of that former glory remains. Now popular opinion suggests that Sovmen only came to power as a way of pursuing his own business interests. And the republic has no sources of its own to boost future progress. - Oleg Tsvetkov in Maikop

## **SOCIAL PROTESTS**

**NEW HUNGER STRIKES AMONG ROSTOV WORKERS.** During the last two months, Rostov Oblast has witnessed at least two strikes in the city of Shakhty, two in Volgodonsk, and one in Semikarakorsk. The local media does not publish information about these situations, making it difficult to gather information, and preventing people from getting a true picture about what is going on.

Semikarakor is the last city where strikes have broken out. Here 43 former workers at a canning plant have launched a hunger strike. Their only demand is that they be paid the wage arrears that have mounted over the last year.

Just two years ago, the factory where they worked was making a profit. However, then the local owners of the plant turned it over to new managers trained in Moscow. The new directors, however, quickly drove the firm into bankruptcy. Hiring Moscow-trained managers is popular now because they are considered to be better equipped to run businesses than locally educated businessmen. They are also better compensated than their Rostov counterparts. Several local big firms and state owned firms, such as Rostselmash and TAGMET, also tend to hire Muscovites.

In the case of the Semikarakor plant, the managers sold off plant property in such a way that there was no money left to pay the workers who had been dismissed from the plant. The deputies of the Semikarakor Raion legislature authorized the local mayor to act as a guarantor that the debts would be paid, but so far he has not succeeded in getting a bank credit for this purpose.

The experience of similar cases in the past suggests that a solution will be found, but only when the crisis reaches the boiling point and begins to threaten a social explosion. In these cases, the oblast budget usually provides funds which the city administration has to pay back over the course of several years. Such debts put the local authorities into absolute dependence on the oblast officials and cause them to fulfill any order from above.

In this way, the authorities deal with the symptoms, but not the disease of the area's economic problems. Despite loud declarations by the governor and his ministers, they have done nothing to create economic conditions that would prevent businessmen from abusing their employees in this way. In conditions in which there are no independent courts or functioning independent trade unions, workers can only stage protests through hunger strikes or illegal actions. - Aleksandr Krasnov in Rostov-na-Donu

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**TERRORISM**

**TERRORISM GROWING MORE FREQUENT, EXTREME IN RUSSIA**

(Note: TraCCC Saratov Director Natalia Lopashenko gave the following speech, excerpted here, in Togliatti in April 2004. The trends she noted then pointed to a Beslan-style attack and suggest that the problem is only going to get worse.)

Contemporary Russia, like many other countries, came face to face with terrorism in the 1990s. Since the middle of the last decade, the number of terrorist acts has grown enormously in Russia, jumping from 32 in 1997 to 561 in 2003, as the table below shows. Terrorism is now more than a daily occurrence in Russia.

Year	Acts	Arrests
1997	32	10
1998	21	7
1999	20	0
2000	135	24
2001	327	40
2002	360	
2003	561	

The growth trend is not the only negative aspect of Russian terrorism. Terrorists and the acts they commit are becoming more cruel and extreme. Terrorism rejects all human values. Terrorists chose their place, time, and potential victims to inflict the

maximum amount of damage. In Russia, terrorists have struck at crowded outdoor markets, apartment houses, cemeteries, hospitals, holiday gatherings, popular musicals, and the subway. The cynicism of terrorist attacks is only growing. Given past experience, it is possible to predict that terrorists will attack schools, critical infrastructure (the municipal water system, the electricity grid), and important factories.

Another negative trend in Russian terrorism is its increasing international character. Russian terrorism is increasingly connected into foreign ideological, political, religious, or nationalist networks.

International prognoses for terrorism are uniformly pessimistic, pointing to its growing social, financial, and social bases, its increasing cruelty and aggressiveness, and the ability of terrorists to use weapons of mass destruction. In this context, all states, including Russia, need an effective anti-terrorist policy.

Unfortunately, Russia has yet to prepare the necessary response. Such a policy would require economic, social, political, and legal measures. Here I will focus on the legal response. Current legislation has many deficiencies. Russia has yet to enact a coherent legal definition of terrorism. The definition in the 1998 law on combating terrorism differs from the definition given in article 205 of the Criminal Code.

Moreover, while Russia has criminalized terrorist activities, many problems remain in the law. For example, current laws assign one level of legal responsibility for a variety of very different crimes. Additionally, much of the wording of the laws concerning terrorism is vague.

## **REACTION TO TERRORIST ATTACKS**

Following the 1-3 September attack on the Beslan school, which took the lives of more than 330 people, President Putin on 13 September announced that he would soon introduce legislation ending the direct election of Russia's governors, instead having regional legislatures confirm them based on the president's recommendation. Additionally, he said that he would change the way the State Duma is elected, moving toward a fully party list system. Putin additionally replaced Vladimir Yakovlev as his representative in the Southern Federal District with Dmitrii Kozak, giving him extensive authority over state resources to address the region's violence. Putin also announced a crackdown on extremism in Russia. Below are some responses from the Russian regions.

**KOMI: BANKRUPT POLITICAL ELITE, ALARMING SOCIAL TRENDS.** The events in Beslan demonstrated that the authorities in the North Caucasus were not able to handle their responsibilities. The reaction of the authorities in Komi to these events demonstrated a similar crisis among the old political elite in this region as well. State Duma and regional elections have become battles between different moneyed interests. In a recent interview, the head of the regional United Russia party Anatolii Karakchiev said that spin doctors in Moscow had offered to secure his victory in Komi's next gubernatorial elections for the price of \$4 million. As bad as things are now, however, having the Kremlin appoint governors will not solve the problem because under the new system regional leaders simply will pay Moscow bureaucrats to ensure that they gain presidential support.

It is important to examine the reaction of the masses to the recent hostage tragedy in Beslan. The Russian media has already reported on how people have burned stalls belonging to Tajik and Azeri traders in Yekaterinburg. Nothing like this has happened in Komi. However, during the crisis, Azeris and other peoples from the Caucasus did not venture into the streets. Additionally, the extremist nationalist group Russian National Union (RNE) plastered fresh posters in the city.

Komi long ago became a multi-cultural region and Muslims have settled in the cities and villages of this northern area. While the number of Ukrainians dropped from 100,000 to 60,000, according to the 2002 census, the number of Muslims has held steady, at about 3 percent of the population. In recent years, it has even begun to grow.

Unfortunately, fear of the Caucasus remains palpable in the republic. The current authorities have not come up with a coherent way to deal with the region's social issues. The thinking of the current elite is in no way up to dealing with the problems that the republic now faces in the social sphere.

Will a governor appointed by the president be able to deal with these social issues? Unfortunately it is extremely unlikely that a presidentially-appointed governor will have the skills and resources to address these problems. - Yuri Shabaev in Syktyvkar

**KOZAK GIVEN REAL AUTHORITY IN SOUTH.** On 13 September, President Vladimir Putin appointed Dmitry Kozak, one of his closest and most trusted advisors, as the person responsible for dealing with the situation in the North Caucasus. Kozak formally holds two positions: presidential envoy in the Southern Federal District, replacing Vladimir Yakovlev, and head of the newly created Commission for regulating the situation in the Caucasus republics. The main source of his power comes from the Commission post and his extremely good relationship with President Putin. He has the power to guide the power ministries as well as those dealing with economic and social issues. He will in effect have the power of the presidency in the south.

Yakovlev will now head the newly restored Ministry for Nationalities Affairs. This position is similar to being put in charge of agriculture in the Soviet Union. It is hard to think of a more difficult job and Yakovlev was appointed to it in order to compromise him and present him as a hopeless manager. Yakovlev will have no power in this position, just as he had no power in his position as envoy.

These personnel changes and Putin's decision to appoint governors strengthened presidential authority, but also deprived him of the ability to lay blame for failures on the regional leaders. The new governors, who will take over the regions after the new year, will be viewed as Putin's appointees and he will bear full responsibility for them. The remnants of the governors' power were removed through the change in the way State Duma deputies are elected. If the next Duma is filled with deputies chosen by political parties based in Moscow, the governors will lose their lobbyists at the federal level.

Even though the current governors do not have democratic points of view, the cancellation of direct gubernatorial elections is a strong blow to the remaining democratic institutions in Russia. Putin made it clear that the regions should have a new elite, but ultimately the new governors will belong to the same bureaucratic society as the current ones. They will have the same outlook and rule by the same methods.

Upon taking office, the new governors will begin working to take control of all property in the regions. This job will be made easy for them because the current governors never stood on ceremony when they grabbed other people's businesses and ownership rights. It was always easy to find a judge who would make the necessary rulings.

This is one of the most important moments in the Putin revolution. It will take time to understand all the consequences of latest reforms. The coming system of absolute presidential authority is very similar to the Soviet system with the absolute power of the Communist Party Central Committee and its general secretary. - Aleksandr Krasnov in Rostov-na-Donu

**TYUMEN RESIDENTS PROTEST CONSTRUCTION OF MOSQUE.** The council of one of the micro-raions in Tyumen is seeking the demolition of a nearly completed Islamic House of Prayer which ultimately will become part of a larger complex including a mosque for all the Muslims in Tyumen Oblast, Khanty-Mansii, and Yamal-Nenets. The House of Prayer is being built on land next to the micro-raion.

In addition to the neighborhood activists, the group "For an Orthodox Morality" has also spoken out against the project. While the residents are mostly concerned about the noise caused by the mosque and its call to prayers five times a day, the Orthodox group is worried about Islam taking root in the region. Citizens in both camps have been writing letters to the authorities about the construction for more than a year, but they have become much more active recently.

Tyumen hosts many ethnic groups adhering to Islam, particularly Tatars and Kazakhs, who have been in the area for hundreds of years. A mosque existed on the current construction site before the 1917 Russian revolution. Currently construction on the House of Prayer is nearly complete, while plans for building the mosque are still under discussion. The mosque is planned to be the largest in Siberia, with a capacity to hold one thousand worshippers. Besides the mosque, there are also plans for building administrative buildings and various cultural and scholarly centers.

The construction relies on support from the people. The Foundation for the spiritual and cultural heritage of Tyumen Oblast "Sabir" (Patience) has been collecting donations for the construction. The head of the project is Il'dar Ziganshin, the representative of the mufti of the Central Spiritual Administration of Muslims of Russia. He claims that they have refused to accept any donations from abroad. The majority of the 64 mosques in Siberia were built either partly or fully with the support of Arab funds.

Mosques already exist in the Parfenovo, Kazarovo, and Matmassa sections of Tyumen city. Citing the views of Parfenovo mufti Galimzyan Bikmullin, opponents of the project say constructing one more mosque violates the Muslim canons.

Indeed, there is little unity among the Tyumen Muslims. In southern Tyumen Oblast, more than 80 Muslim organizations have been registered. Two are affiliated with the Central Spiritual Administration of Muslims of Russia and the European Countries of the CIS, some are affiliated with the Spiritual Administration of Tyumen Oblast, and some to the Tyumen branch of the Spiritual Administration of Muslims of the Asiatic part of Russia.

Overall, the authorities back the construction of the House of Prayer and mosque. Many prominent people in the region, including many non-Muslims, helped lay the

foundation stones. The authorities have suggested that it will be possible to compromise: the mosque in Parfenovo, for example, does not issue a loud early morning call to prayer.

Nevertheless, the protest mood among the residents has not settled down. Within the larger context of a growing anti-Islamic environment, the situation is becoming increasingly dangerous. - Elena Arbatskaya in Tyumen

## **BORDER CONFLICT**

**RUSSIA OPENS RAIL SERVICE TO ABKHAZIA; GEORGIA OBJECTS.** On 10 September Krasnodar Krai became the arena of the latest diplomatic scandal between Russia and Georgia. On that date the newly privatized Russian Railroad Company opened regular train service between Russia and Abkhazia. The first train arrived at the Adler train station and was included onto a larger train headed for Moscow. The new link is important because it is the first connecting the separatist Georgian region of Abkhazia to neighboring Russia. All train service linking Abkhazia to the outside world had been cut off in 1992, when the Georgian leadership took all possible measures to isolate the rebellious separatist province. During the intervening 12 years, Abkhazia's railroad infrastructure suffered from neglect and it took the Russian firm several months and new equipment to bring it into working order.

Georgia quickly lodged a protest against the restoration of train service. Georgian State Minister for Conflicts Giorgi Khaindrava described the link as a violation of the Russian-Georgian bilateral agreement and a violation of Georgia's sovereignty and territorial unity. The blockade of the separatist region was until now the only trump card for the Georgian authorities, who sought to use economic pressure to force the separatists to negotiate. Tbilisi blocked any attempt by the separatists to establish ties with the outside world.

This rail link is extremely important for the separatist province. Georgia, which is essentially at war with Abkhazia, can block any ship traffic to the region. Therefore most food and other goods are brought to Abkhazia by small traders from Russia. The flows of Russian tourists, which recently reached 500,000 to 700,000, is the main source of income for the local population and state budget.

The Abkhaz authorities believe that the new rail line will increase their income significantly. In response to the Georgian criticism, Gennadii Fadeev, head of the Russian railroad, said that Tbilisi agreed to the link in 2002 during a meeting with then president Eduard Shevardnadze. Fadeev claimed that the rail line was the first effort to restore links between Russia and the three south Caucasus countries - Georgia, Armenia, and Azerbaijan. He suggested that the growth of the rail links would ultimately reduce the level of conflict between Georgia and Abkhazia by increasing their economic links and subsequently promoting the process of Georgian-Abkhaz integration.

The new rail link also has a down side for Russia. Now the Krasnodar Krai law enforcement authorities must work even harder to ensure that no anti-Russian fighters use the new railroad to enter Russian territory. Following the attack on Beslan, several Russian politicians drew attention to what they claimed was a Georgian aspect of the attack. They suggested that the organizers and sponsors of the attack are located in Georgia's Pankisi Gorge, where Chechen separatists have been based for many years. The most direct route from the gorge to Russia is through Abkhazia. During the summer of

2001, a group under the leadership of Ruslan Gelaev tried to attack Krasnodar Krai. At that time, Abkhaz forces blocked their progress. - Sergei Danilchenko in Krasnodar

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**EXPERT OPINION**

**RUSSIA'S TERRORISM CHALLENGE**

by Louise I. Shelley, Professor and Director of the Transnational Crime and Corruption Center, American University

Russians have just experienced their own 9/11. The horrendous and carefully planned assault on a school in the volatile Caucasus followed quickly on the downing of two airplanes by terrorist attack. Against the background of this escalating violence, Russia continues to be a storehouse of nuclear weapons and fissile material, and many of its nuclear facilities are still desperately in need of enhanced protection. Terrorists who would plant bombs in a children's school are also capable of employing nuclear weapons. As the school assault has shown, there are no limits to the terrorists' savagery. Therefore, Russia's terrorist threat is a problem for the West as well. It is imperative that we work more closely with our Russian colleagues to speed and enhance the security at all sites containing weapons of mass destruction.

TraCCC researchers in Russia and the US have been following the trajectory of crime, corruption and terrorism since before September 11th, observing the escalation in the number of attacks and the shock value of the targets. For more than a decade, I have predicted that crime and corruption precluded a successful transition to democracy. Crime and its most extreme form, terrorism, are not peripheral issues but central to the course of Russia's development.

In June 2001, Professor Victor Luneev, then TraCCC's director in Moscow, published a seminal article in which he stated that there were important links between

crime and terrorism, and that existing crime in Russia would facilitate the growth of terrorism.

(<http://www.american.edu/traccc/Publications/Viktor%20Luneev/Organized%20Crime%20and%20Terrorism.pdf>) In a special issue of TraCCC's Russian language publication, *Organized Crime, Terrorism and Corruption* devoted to terrorism in 2003, Luneev and former Interior Minister Anatolii Kulikov described Russia's legal system as inadequate to address terrorism. The failure to legislate adequately against corruption, so closely tied to terrorism, ensured the future growth in the seriousness and frequency of the attacks. Between 1997 and 2002, the number of terrorist acts, as defined by various articles of the Criminal Code, increased 460 percent. Unfortunately, the government's legal response was totally inadequate to the problem.

On-going research I am conducting with Yurii Andrienko, an economist at CEFIR, on the economics of crime has produced alarming results. Violent crime in Russia overall is at a level commonly found in countries experiencing conflict, with Chechnya and the North Caucasus among the worst regions in the country. The conflict in Chechnya has had a strong spillover effect on ordinary crime in the regions closest to Chechnya, but also has had a significant impact on crime rates throughout Russia. The high rates of violent crime in Russia may be an indicator of more generalized conflict within society.

As noted in the RRR for 17 September 2004, our colleague Professor Nataliya Lopashenko predicted in April that the next attack would be on a school and then on Russian infrastructure. Her predictions were based on the escalating trend in the frequency and severity of terrorism and the inadequate legal response to the problem. (<http://sartraccc.sgap.ru/>)

In the aftermath of the Beslan school attack, foremost in everyone's mind is the on-going conflict in Chechnya. But the entire southern region of Russia is unstable and lacks the capacity to fight armed violence or terrorism. Recent research conducted by Lopashenko in Southern Russia points to corruption as a crucial explanation for the rise of terrorism. While official statistics report an annual decline in crime and violence for the past three years, expert opinion from law enforcement and crime specialists views the region as rife with organized crime, armed attacks, terrorism, drugs, economic crime, crime by migrants, and very high levels of corruption. Considerable numbers of law enforcement experts surveyed believe that large criminal groups help terrorists perpetrate and finance their terrorist acts.

Even more alarming, a significant share of the population believes that the region is controlled by professional criminals. Many citizens acknowledge complicity with the criminals either through their own activities or those of someone they know in the community. Under these conditions, it is hardly surprising that a former law enforcement official was one of the school attackers.

Chechnya is not the only conflict zone in the volatile Caucasus region. Ossetia, the site of the school attack, has been the scene of a long and unresolved conflict between North Ossetia in Russia and South Ossetia in Georgia. The area immediately south of the school has become a no-man's land presided over by Russian peacekeepers who oversee extensive smuggling operations across the Russian-Georgian border. Corrupt law enforcement officials, border guards, customs officials, and criminals allow the most diverse range of contraband to cross this border, as work by TraCCC Georgian center

researchers A. Kukhianidze, A. Kupatadze and R. Gotsirdize demonstrates. (<http://www.traccc.cdn.ge/publications/index.html>) They found smuggling ranged from the mundane, such as untaxed flour and cigarettes, to arms, people and possibly nuclear weapons. Georgia has detected over one hundred cases of smuggled nuclear materials on its territory in the past two years, some of it known to emanate from Russia. The smuggling has diminished since President Saakashvili took office, but the border regions of southern Russia still provide ample opportunities for terrorists and their weapons to move across international frontiers unnoticed.

Russia's vulnerabilities are not confined to the south. Many individuals in Moscow provide both logistical and financial support to terrorists. The authorities have already arrested individuals who helped the two female Chechen suicide bombers accused of blowing up two planes in August.

Moscow is now home to tens of thousands of illegal immigrants. Surviving by paying off local officials, some are engaged in serious criminal activities that can help support terrorism and terrorist financing. In Russia's capital, hundreds of casinos, capable of laundering large quantities of illegal money and supporting terrorism, have thrived for over a decade, even though Russia allegedly is in compliance with international anti-money laundering regulations.

Afghans and Pakistanis have operated lucrative drug businesses for years through front companies known to local officials at one of Moscow's largest markets less than ten miles from the Kremlin. The Russian authorities do little to crack down on this trade. Low level officials may not understand the links between the drug trade and terrorism, making them willing to accept pay-offs from known drug traffickers to look the other way.

Russia has failed to address systematically the sources of terrorist funding and recruitment domestically, and has not moved fast enough to shore up the vulnerabilities it faces at its borders. Its militaristic solution, to simply escalate the violent repression of Chechens and centralize control over the political system, fails to acknowledge the complex challenges from terrorism that Russia faces, evidenced by the multiplicity and the sophistication of the attacks of late August and September.

Russia must prepare for a long and difficult struggle to address terrorism. Even if it were to resolve the on-going war in Chechnya, the Russian state's long assault on Chechnya has produced numerous terrorist sympathizers both inside and outside of the immediate conflict zone. Active recruitment of future terrorists has been underway in Russia through its mosques. Foreign terrorists could easily enter across its porous borders, assisted by the human smuggling rings which now move large numbers of individuals from Afghanistan and the Indian subcontinent into Russia. Potential terrorists could be housed within the already established foreign Muslim populations now residing within Russia.

Russia currently lacks a national anti-terrorist strategy. The conditions facilitating terrorism are deeply engrained in Russian society. Police and border corruption allow for easy entry and exit of people, arms, and money. Corrupt law enforcement facilitated past and present terrorist attacks. Investigations of the serious crimes that facilitate terrorism are impeded by police, judicial and prosecutorial corruption.

Putin has promised Russian citizens a strong state at the cost of some of their recently acquired civil liberties. But, as the recent terrorist tragedies have shown, the loss

of personal freedoms has not brought enhanced security. Rather, efforts to increase secrecy through crackdowns on civil society and investigative journalism likely exacerbated the terrorist threat by allowing corruption to flourish, thereby undermining state capacity. The Russian government's decision to enhance authoritarian controls and step up military actions as a guarantee of stability cannot achieve results when the control apparatus of the state is corrupted. The west, as Russia's declared partner in the war against terrorism, must work with Russia to develop a multi-pronged strategy to address terrorism that entails a more involved citizenry and better enforcement of its laws.

## **CANCELING GOVERNORS' ELECTIONS**

**PUTIN REFORM SCRAMBLES SARATOV POLITICS.** President Putin's announcement on 13 September that he plans to start appointing governors, with the approval of regional legislatures, has roiled the political situation in Saratov Oblast. The next round of gubernatorial elections was planned for March 2005, but now the region is likely to become one of the first places where the president will appoint a governor. None of the major players, Governor Dmitrii Ayatskov, who was planning to seek another term, nor State Duma Deputy Speaker Vyacheslav Volodin, was prepared for the announcement, but no one expressed disagreement with what Putin said he was going to do. Most concur that Putin will face little opposition in implementing his plans.

Governor Ayatskov, who has strained relations with Putin, could not hide his dispirited mood at a 13 September press conference. He clearly does not think that he has much chance of holding on to his job. He said that he has no plan to go to the Kremlin and fight for his continued tenure. Continuing his current practice, he said that he only plans to go to the capital when he is invited there. "In any case, I will remain the first and last democratically elected governor of Saratov Oblast!" Ayatskov proclaimed. Nevertheless, the governor formally supported the president's initiative. In fact, he found a small silver lining, suggesting that the new system would give the new governor greater financial possibilities.

Volodin, Ayatskov's main opponent, apparently also does not feel very sure of himself even though he has had no conflicts with Putin. In his official commentary about Putin's plans, he refrained from discussing his further plans or the Saratov governor's office. He claimed that the new system would increase the responsibility of the regional executive for carrying out decisions adopted at the federal level and would help create a united hierarchy of authority. He also asserted that the new system would make the governor more accountable to the people. "Today there is a paradoxical situation in which people elect a governor for five years, but then become hostages to his beautiful campaign promises, which he cannot in fact implement, forcing the region into debt." Volodin noted that the new system would allow the president to remove governors who were not performing as they should. Volodin failed to point out, however, that the president already has this power, but has not once tried to use it. He also pointed out that a system of appointing governors currently exists in developed democracies like Sweden. However, he did not mention that none of the countries that appoint regional leaders are federal systems.

Such comments suggest that Volodin thinks he has a better chance of being appointed by Putin than Ayatskov does. Ayatskov apparently agrees with this point of

view. For this reason, Ayatskov began an energetic campaign to demonstrate his loyalty to Putin in showing how well he could control the region. The most important element of this campaign was a 15 September meeting of the governor's Social Chamber, which includes all of the oblast's political parties and social groups, and representatives from local government, the media, commercial firms, and many other organizations. The only word of criticism aimed at the president at this meeting came from the chairman of the Council of Veterans of Lenin Raion, Galina Mushta. She warned that the president would not name as governor someone who worked in the interests of the oblast and rarely visited Moscow, like Ayatskov, but one of his courtiers from the capital. The other participants supported Putin unanimously, though with the proviso that he increased the power of regional social chambers so that they could initiate the removal of governors who were not fulfilling their duties. Overall, Ayatskov sought to use the session to exert public pressure on Putin to leave him in place as governor.

Volodin's plans in the current conditions are not known. Local experts see the situation as completely unpredictable. Experience suggests that Putin may not limit himself to choosing between Ayatskov and Volodin as the next governor. If the local elite cannot rally behind a single candidate, Putin may choose an outsider governor-general. This is exactly what he did in the previous elections in the neighboring Ulyanovsk Oblast, where, thanks to Kremlin backing, Chechen war general Vladimir Shamanov was elected. Shamanov has made little progress in resolving that region's major problems. - Ilya Malyakin in Saratov

**IN HIS LAST LEGAL TERM, BELGOROD GOVERNOR BACKS PUTIN.** At Putin's meeting with his government and Russia's 89 governors on 13 September in which he announced that he would appoint governors, none of the currently elected governors opposed him. However, it was obvious from the dour and strained faces of leaders like Moscow Mayor Yurii Luzhkov and Tatarstan President Mintimer Shaimiev broadcast on television that they were not happy.

In contrast, Belgorod Governor Yevgenii Savchenko strongly supported Putin's initiative, surprising no one. According to current legislation, Savchenko cannot be elected for another term as governor. However, the new system Putin proposed may make it possible for him to remain in office and he has nothing to lose by supporting it. Either he will remain as governor or he will seek a federal cabinet post. Both alternatives require loyalty to the president, and Savchenko is sparing no effort to demonstrate his fealty to the president.

In public remarks, Savchenko noted that the new system will make the governors more accountable to the president who appointed them and the regional legislature, which confirmed them. After a planned meeting with Putin on 14 September, Savchenko said that he had always been opposed to electing regional leaders and favored appointing them because such a "system makes it possible to establish political and social stability in the country." Savchenko said that in his meeting with the president he proposed going one step farther, giving the appointed governors the power of presidential representatives in the regions. Such increased status would apparently do away with the president's current seven envoys.

Savchenko and Putin discussed some of the key issues facing Belgorod Oblast at their meeting. Savchenko claimed that if current trends continued in the oblast and if

similar methods were used in the rest of the country, by 2006 Russia could stop importing chicken. In the sphere of transborder cooperation, Savchenko noted that the new law requiring automobile insurance for all was limiting cross border trade. Currently cars coming in from Ukraine have to pay a minimum insurance premium of 513 rubles, while trucks have to pay as much as 8,000 rubles. The high fees are limiting the number of visitors. Savchenko said that Putin immediately ordered his staff to look into the problem. Additionally, Savchenko all discussed with the president the situation in which people who helped deal with the Chernobyl accident have been conducting a hunger strike in the city of Staryi Oskol for the last month in order to obtain housing. - Sergei Sarychev in Kursk

## **PIPELINE POLITICS**

**KHABAROVSK SEEKS TO REROUTE PLANNED PIPELINE.** Khabarovsk Governor Viktor Ishaev has proposed that a planned pipeline designed to carry oil from Irkutsk to Asian countries end in his region rather than Primorskiy Krai. Earlier, Japan and China had fought over the pipeline route, each seeking the most reliable supplies for themselves. The struggle seemed to be over last summer when the Russian government settled on the "northern route" sponsored by Japan from Angarsk to Nakhodka in Primorskiy Krai. The "southern route," linking Siberia to the Chinese city of Daquin, was discarded despite severe pressure from Beijing.

Ishaev argued that though the pipeline should head to the Pacific, it should run to Khabarovskiy Krai's Tatarskiy Bay (ports Vanino and Sovgavan') rather than Primorskiy Krai's ports of Perevoznaya or Nakhodka. Supposedly this alternative would reduce the economic and ecological costs of the project.

Ishaev obviously wants to bring the economic benefits from the pipeline to his region. He has already raised the issue during a meeting with Japanese Minister of Economy, Trade and Industry Seiti Nakagawa during his recent visit to the Far East. Ishaev has also requested that Transneft include Khabarovsk into the feasibility study it is currently conducting for the project. Ishaev's proposal may gather support in Moscow, in particular from state-owned oil producer Rosneft, which maintains an oil processing plant in the Khabarovskiy Krai city of Komsomolsk-na-Amur.

Japan has yet to change its official position - that the pipeline should go through Primorskiy Krai - in light of the new circumstances. Certainly, Japan may use this internal development to its advantage by expanding its bargaining power vis-a-vis Russia.

In the past months Tokyo has been attempting to tie the question of financing the pipeline to the question of the so-called Northern Territories (Kuril Islands), which were annexed by USSR from Japan at the end of World War II. Japan had earlier pledged to provide \$7 billion in loans for the project but so far has only provided \$75 million (to scout new oilfields in East Siberia). Japan unequivocally reaffirmed its link between the pipeline and the Northern Territories during Nakagawa's recent trip to the Far East, in particular during his visit to Kamchatka. Earlier this month Japanese Prime Minister Junichiro Koizumi symbolically flew close to the Kuril Islands on the anniversary of their annexation, provoking fury in the Russian media. Ishaev could help Tokyo fulfill its aspiration to regain the Kuril Islands since he is an experienced lobbyist and the only remaining heavy-weight governor left in the Far East.

Moscow is working hard to decrease Japan's leverage by locating alternative financial support for this \$15 billion project. First of all, it wants to attract Chinese investment by promising access to Siberian oil. During a recent meeting of the Russian-Chinese Commission on Energy Cooperation, Russian Minister of Industry and Energy Viktor Khristenko announced that the capacity of the pipeline will be 80 million tons per year, not the 30-50 million tons announced earlier. Previously experts questioned whether such an amount was possible. However, now that Russia is considering including oil from western Siberia, eastern Siberia and Sakha, an 80-million-ton-per-year pipeline is plausible. Khristenko revived the possibility of building a branch pipeline to China. Though earlier Beijing fiercely opposed any such solution since most of the oil would flow to Japan, it may now reconsider its position given its continuous need for energy.

Another approach allowing Russia to mitigate Japanese financial leverage, and hence retain the Kuril Islands, is to construct short sections of the pipeline which would connect oil fields in East Siberia with the Tran-Siberian railroad. In this way Russia could deliver approximately 10 million tons by 2006 and profits generated could be funneled to finance construction of the remaining sections of the pipeline. Previous plans envisioned that the pipeline would launch operations only in 2008-2010. Not surprisingly, the Russian Transportation Ministry strongly supports this idea and has announced that is ready to modernize the railroad tracks to meet such needs.

It remains unclear which region, Khabarovsk or Primorskii Krai, will prevail in the end. It is also unclear whether Russia will give up the Kuril Islands for the oil pipeline. For now the Kremlin maintains silence to make it appear that oil-hungry Japan is in a more desperate position. Nonetheless, a bilateral peace treaty must precede any significant economic cooperation. Japan tightly links such a treaty to the return of the Northern territories.

Russian Foreign Minister Sergei Lavrov plans to visit Japan this fall to prepare Putin's state visit scheduled for early 2005. Tokyo hopes that it will take place on 7 February, the day when the two countries mark the 150th anniversary of the signing the treaty of amity (which Japan broke by attacking Russia in 1905). - Vyacheslav Shirokov in Vladivostok

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**ETHNIC VIOLENCE**

**EXPERT PREDICTS GREATER INSTABILITY IN NORTH CAUCASUS. A**

Russian expert in Islam predicted an explosion of violence in the North Caucasus as early as this month in making a presentation at the International Security Forum held in Montreux, Switzerland, 4-6 October (<http://www.isn.ethz.ch/isf/>). Because the conference was held under Chatham House rules, it is possible to summarize the speaker's statements, but not identify him by name.

Chechnya is clearly the source for the terrorist threat that Russia faces. Both Yeltsin and Putin have so far managed to live with the war in this region and sought to portray their campaigns there as short and successful operations. Nevertheless, Russia has effectively been engaged in a civil war since 1994, a strange situation for a country that wants to be considered part of Europe. The on-going conflict has not seriously dented Putin's popularity standing and, in fact, he used the violence following the hostage attack on Beslan in September 2004 to strengthen his executive authority.

Following the murder of Chechnya's Russian-backed President Akhmed Kadyrov on 9 May of this year, the situation is becoming more fluid. The speaker argued that there is likely to be a flare up in violence between the North Ossetians and Ingush, in the wake of the attack on Beslan, a city in North Ossetia, in which Ingush fighters participated. Former Ingush President Ruslan Aushev had set up armed groups numbering approximately 500 individuals. Since Putin forced him out of office and replaced him

with Federal Security Service general Murat Zyazikov, it is not clear who controls these groups now. A outbreak of violence among the Ingush and Ossetians could provoke further instability across the region, but particularly in Dagestan and Kabardino-Balkaria.

It is extremely difficult to say whether Putin is right in arguing that the Chechen fighters have international support or how extensive this support is. Islam was not a motivator for conflict originally because the Chechens were seeking independence from Russia on the grounds of secular ethnic and national distinctions. Former Chechen leader Dzhokhar Dudaev argued that the Russians drove them into Islam. Beginning in the late 1990s and early 2000s, the Chechen fighters began to identify themselves with the global jihad. These people began to see themselves like Osama bin Laden, who was advocating that Islamists engaging in local conflicts should focus their attention on the main enemy, the US and its allies. Likewise, the Chechens began to conclude that they could attack Moscow directly.

The further destabilization of the North Caucasus will work to highlight the weak underpinnings of the Putin government and its inability to deal with the problems in the North Caucasus. Putin has sent Dmitrii Kozak, one of his most trusted and capable lieutenants, to deal with the region, but his success is far from assured. The Kremlin does not seem to have a plan on how to address problems in Russia's predominantly Muslim areas.

What happens in the Northern Caucasus will have important consequences for the rest of the former Soviet space. The leaders of Central Asia currently have great respect for Putin and see him as the head of a post-Soviet superpower. However, his inability to bring the North Caucasus under control greatly undermines his standing with them. - Robert Orttung

## **RUSSIAN FAR EAST**

**VLADIVOSTOK'S NEW MAYOR SCORES EARLY SUCCESSES.** Vladivostok is Russia's gateway to Asia, the largest city in the Russian Far East, home of the country's Pacific Naval Fleet, a lucrative fishing industry, and an enormous black market for Japanese cars. The city, notorious for its corruption and criminal networks, elected a new mayor this summer. Vladimir Nikolaev, owner of a large fishing company and alleged former crime figure, has thus far acted as a mature politician, enacting a number of pressing reforms.

Nikolaev's close relationship with Primorskii Krai Governor Sergei Darkin, his extensive economic power, and control over the official levers of power give local elites plenty of reason to work with the new regime and play by its rules. Unsurprisingly in the circumstances, most prominent local businessmen attended Nikolaev's inauguration. The new mayor, who claims that he will remove administrative barriers for business, shook the hand of every guest at the ceremony.

While few observers are surprised at the affinity of business toward Nikolaev, the sudden resolution of the year-long deadlock in the city дума has shocked many. The work of the дума had been blocked because members of the "Freedom and People's Power" faction boycotted the body's meetings, preventing the city from adopting an official budget and, as a result, from receiving 50 percent of its revenue (in accordance with the federal law on budgets). "Freedom and People's Power" has long been controlled

by Viktor Cherepkov, Nikolaev's main opponent in the mayor's race who was removed from the ballot by court order. Under current conditions, the party members have decided to side with the new political establishment and relinquish their former affiliation with Cherepkov. Regardless of their rationale, this development has led to the adoption of a new budget, handing a milestone accomplishment to the new mayor.

As many anticipated, Nikolaev drew heavily on the top-managers of his company Turnif in building his new cabinet, just as Governor Darkin formed his cabinet two years ago from the employees of his Roliz company. Interestingly, Nikolaev refers to his cabinet as an "anti-crisis group," just like Darkin before him, reflecting the fact that the two share advisors.

A robust budget constitutes the core of Nikolaev's reforms. Nikolaev calls his strategy a "budget of social development" -- claiming that social programs should follow economic development. Nikolaev frequently repeats his mantra, "I come from the real sector and can count money." He blames the previous mayor Yurii Kopylov for ruining city finances and now sets plans to cut expenditures while increasing revenues.

The first obstacle to be removed is the rampant nepotism in municipal government orders. According to Nikolaev's plans, purchases from contractors at prices significantly higher than the market dictates will be replaced by open auctions. In some cases, the city has been paying three times the going rate for goods and services.

Nikolaev also plans to overhaul the way the city handles land and municipal property. Currently more than 2,000 municipal organizations lease out city property and land to businesses to sustain themselves, facilitating significant corruption and price-gouging. Nikolaev is determined to slash the size of municipal government by 30-40 percent and argues that the city will need to take large loans in the future to boost growth. An audit of municipal property to determine how much collateral is available is already underway.

Nikolaev's tight relationship with the governor has already yielded benefits to the citizens of Vladivostok. For the moment, it seems that Vladivostok's infamous water and electricity shortages are history. In the past, many city residents simply had to do without these basic municipal services. In addition, the governor's roads program has made Vladivostok's road system one of its primary targets and has already begun several construction projects, accomplishments the previous mayor never achieved.

The tight ties between the governor and mayor have also allowed Vladivostok to maintain its financial independence. Previously, when Governor Darkin was locked in conflict with former Mayor Kopylov, the governor sought to transfer financial responsibilities over the city from the municipal to the regional government. Nikolaev has not only secured passage of the city budget through the city дума, but most probably will be able to increase city revenue when Primorskiy Krai passes its budget in December.

By supporting Nikolaev, Governor Darkin hopes to consolidate his grasp over Vladivostok and win the hearts of Vladivostok voters before the next gubernatorial elections, which are currently scheduled for next summer. Whether these elections are actually held depends on how quickly Putin can implement his plans to appoint governors. Since Vladivostok accounts for over 30 percent of Primorskiy Krai's population, a second term for Darkin would be far from assured without strong support in the city. - Vyacheslav Shirokov in Vladivostok

## **FEDERAL-REGIONAL RELATIONS**

**BASHKORTOSTAN LEADER CALLS HIMSELF CO-AUTHOR OF PUTIN'S REFORMS.** Bashkortostan President Murtaza Rakhimov unexpectedly announced that he is a coauthor of President Putin's plan to appoint Russia's governors rather than allow regional voters to elect them directly. Putin announced his plan on 13 September. Rakhimov said that he had sent a letter to the president two months earlier sharply criticizing the current practice of directly electing regional executives. He argued that it was necessary to abolish the elections because they were bringing to office people who do not have the necessary professional qualities. Such inappropriate winners were taking advantage of extensive campaign financing, inadequate legislation, and poorly prepared voters.

Given the current situation, Rakhimov did not advocate improving Russia's electoral legislation, as would seem logical, but calls for radical changes in the regions' electoral systems. He argued that the president would not appoint random people to power. Rakhimov claimed that it was not right to criticize Putin's proposals for being undemocratic because it was impossible to impose democracy quickly where it had never existed before. Electing governors through regional legislatures would help Russia achieve democracy in a more effective manner, he suggested.

While backing Putin's overall plan, Rakhimov stressed his differences with some particular features of it. He argued that while the president would have the right to appoint the governor, the members of the regional parliament should have an equal right to reject the president's choice. Under legislation that Putin is preparing, the president would have the right to disband the regional legislature if it rejected his candidate twice. Then Putin could appoint an acting governor. Rakhimov said that the president should not have the right to appoint an acting governor. If Rakhimov's recommendations were accepted, the federal government would not have the ability to impose its choice of regional leader against the wishes of the regional parliament.

In making his remarks, Rakhimov expressed the hope that the president would appoint a governor who "knew the region." This comment suggests that the local elite could reject a presidential appointment if that person had poor knowledge of the region. As already reported in the RRR, the Bashkortostani parliament has already used this reason to block the appointment by Moscow of Mikhail Zelepukin as the republic's procurator for more than a year. Zelepukin does not represent local interests, and therefore has little support on the ground.

Additionally, Rakhimov called for "ending the division of the authorities working in the republic into federal and regional levels," saying that it would be better to subordinate the federal agencies in each specific jurisdiction to the region's governor, who would be responsible to the president for their activities. According to Putin's plan, the governor would be directly responsible to the president so such a unified system would make sense. Rakhimov claimed that such a system would improve overall management, reduce overlap in the work of the federal and regional agencies, cut the number of state employees, and curtail expenses.

There is more to Rakhimov's statement than simply expressing loyalty to Putin after the president has effectively already made up his mind. Rakhimov has been in office

for 14 years as the leader of Bashkortostan and was never known for his conformism. He usually speaks his mind or remains silent. Most likely, in this case Rakhimov is not speaking from fear, but on the basis of cold political calculation.

In Bashkortostan's December 2003 gubernatorial elections, Rakhimov only managed to beat back a powerful challenger at the last minute with the help of the presidential administration and Putin personally. The opposition candidate, a former Moscow banker who based his campaign on his close ties to Putin, had to withdraw from the race when the Kremlin severed its support for him. If Rakhimov had to face another election, he would have considerable difficulty winning, so he is probably better off under the system that Putin has proposed since, more likely than not, Putin would reappoint him. Rakhimov controls the regional elite, including most of the members of the republican legislature. Rakhimov's government has successfully squashed any political opposition in the region. There are not more than one or two opposition deputies in the republican legislature. The Kremlin is extremely concerned about any chance for the destabilization of the social-political situation in Bashkortostan, which is a large Muslim region in the center of Russia.

In the December 2003 republican gubernatorial elections, Rakhimov's opponent was an ethnic Russian and Orthodox Christian. Rakhimov convinced the Kremlin that if he came to power, the political situation in Bashkortostan might slip out of control. The real threat to Rakhimov would be the appearance of a Muslim opponent. However, in current conditions in the republic the appearance of such a competitor is highly unlikely. In order to continue blocking the appearance of such a rival, Rakhimov needs to maintain direct lines of contact with the Kremlin. - Igor Rabinovich in Ufa

**ELIMINATING GOVERNOR'S ELECTIONS RAISES QUESTIONS IN ROSTOV.** The consequences of President Putin's announcement that he planned to appoint governors instead of having them directly elected by the population are slowly starting to be felt in Rostov Oblast. Until now, the seemingly unsinkable tandem of Governor Vladimir Chub and Rostov-na-Donu mayor Mikhail Chernyshov provided a sense of political stability and guarantee against unexpected news. This certainty is now gone. Just two months before Putin made his announcement, Chub had introduced amendments to the regional electoral law which would have allowed him to seek at least two additional terms, now it is not clear how much longer he will be able to remain in office.

Once the new selection procedure is put in place, having connections with the Kremlin will be key in becoming Rostov's next governor. Among the former residents now in Moscow who might be in a position to follow Chub are:

- Aleksandr Kotenkov, the president's representative in the State Duma
- Vyacheslav Khizhnyakov, the president's representative to the Federation Council
- Valentina Petrenko, Federation Council member
- Vladimir Averchenko, Chairman of the State Construction Committee

Other members of the Rostov elite who are testing the waters in Moscow include Aston company General Director Vadim Vikulov, and deputy presidential envoy to the southern federal okrug Viktor Anpilogov. Among the members of his team that Chub is prepared

to lobby for within the presidential administration and the envoy's office is current oblast economics minister Viktor Deryabkin. For the moment though Putin's announcement has raised many more questions than it has answered. - Aleksandr Krasnov in Rostov-na-Donu

## **POLITICAL PARTIES IN THE REGIONS**

**UNITED RUSSIAN DEEPLY DIVIDED IN KURSK.** Many observers have suggested that President Putin will seek to use the United Russia party to determine who will become a member of the State Duma under the new political system that he outlined on 13 September. His plan includes a proposal to eliminate the election of State Duma members from single-member districts, instead determining the members of that body solely on the basis of party-list voting.

If that is the plan, Putin will have trouble implementing it in regions like Kursk, where the United Russia party has been deeply divided since its founding three years ago. The main cause of the split is disagreement over who should head the regional branch of the party, regional politicians or figures appointed by the United Russia central party leadership in Moscow.

In 2001 when Unity and Fatherland merged into the new United Russia party, Kursk city Unity leader Vladimir Losev sought to head the new oblast party. However, Moscow preferred to support the former head of Fatherland, State Duma member Aleksandr Chukhraev. Losev's supporters tried to block Chukhraev's election, but ultimately had to submit to the party's general line after a member of the party's general council threatened to disband the oblast organization.

In June of 2003, Losev's opposition group, which included then Kursk mayor Sergei Maltsev and several local businessmen, conducted an extraordinary party conference. They declared the work of the regional party council unsatisfactory and voted almost unanimously for the removal of Chukhraev. However, on the same day, a party general council meeting in Moscow voted to exclude all of the "conspirators" from United Russia. The "Losin revolt," as the Kursk party dubbed the event, was crushed.

The general calm that followed was disturbed only in April 2004 when Viktor Mamai, a member of the party's regional political council who had played an active role in putting down the Losin revolt, accused the regional party leadership of doing nothing and resigned from the political council. At that time, Mamai did not follow up his words with further action.

However, on 21 September, Mamai held a press conference at which he accused the party leaders of placing their personal interests over the development of the party. He charged that the party leaders were not engaged in party building work, were not preparing for the regional legislative elections set for 2005, and had not done enough preparatory work for the city council by-elections which took place on 19 September. He claimed that the party did not have any popular support and that its lack of a real political platform made it impossible to realize its plans.

Mamai declared that he was leaving United Russia and taking with him 30 others, including the leaders of 14 local units of the party. He also announced that he intended to set up in Kursk a branch of a new party entitled Citizen's Network of Russia (*Grazhdanskaya set' Rossii*).

For his part, Chukhraev accused Mamai and his colleagues of doing nothing themselves and noted that the party planned to revoke their membership, a pointless move since they had already quit. He also argued that Mamai had exaggerated his attack against the regional party, noting that in the recent city council by-elections, United Russia won 3 of the 4 available seats. Chukhraev said that Mamai could join a new party or "go to hell." His emotional tone and crude expression suggested that the situation in the party had deteriorated considerably. Since Chukhraev spends most of his time in Moscow and lately in Beslan, he has lost authority in Kursk. Most recently, the campaign to collect membership dues from party members has collapsed. - Sergei Sarychev in Kursk

## **LOCAL GOVERNMENT**

**ADEGEYA VILLAGE FIGHTS FOR LOCAL ELECTIONS.** During the course of 2003, the leadership of Adegeya, a small North Caucasus republic wholly surrounded by Krasnodar Krai, forced local villages to give up their right to democratic elections at the local level. Republic president Khazret Sovmen sought to strengthen his own power by forcing the villagers to vote in larger units. His campaign was largely successful, but one village continued to fight for the right to hold local elections. Now the Russian Supreme Court has backed up the village, declaring the law Sovmen had adopted to take control of it violated Russian legislation.

Yablonovskii is a village of 30,000 residents which sits just across the Kuban river from the city of Krasnodar. The village is connected to Krasnodar by a bridge and is part of the city's public transportation system. Most of Yablonovskii's post-school age residents either study or work in Krasnodar. According to Timur Kalakutok, the village's member in Adegeya's parliament, the residents of the village have long dreamed of being annexed by the city of Krasnodar and merging Adegeya into Krasnodar Krai. (For a map of the area, see <http://www.invb.ru/Pictures/Map/map.png>).

However, the Adegeya republican authorities have long opposed this idea even though it would fit with Putin's larger plan to reduce the number of Russian regions by merging them into larger units.

Like Putin, Sovmen has sought to centralize power in his hands. Of the 54 rural and village municipalities existing until 2003, only 3 are left. Yablonovskii is one of these.

Sovmen used a simple mechanism to get the localities to give up their electoral rights. The leader of each area would convene a council of appointed representatives of the population which would vote to abandon self-government. The administration naturally controlled who the delegates would be so that the desired outcome was achieved. However, in the case of Yablonovskii, the system did not work. In the spring of 2003, 203 of the 205 delegates voted to preserve their independent status. The results demonstrated the strong difference in the interests of the village and the republican administration.

Sixty-five percent of the tax revenue of Takhtamukai Raion, in which Yablonovskii is located, comes from Yablonovskii and village residents believe that their tax rubles are spent unjustly, according to Adegeya parliament member Vladimir

Karataev. They believe that the raion officials unfairly favor the village of Takhtamukai, which is located not far from where President Sovmen was born and spent his youth.

In the case of Yablonovskii, Sovmen's administration was not able to influence village residents through its usual method of applying pressure at the workplace. Within the rest of Adegeya, the republican authorities can get employers to threaten to fire workers who do not toe the official line or reduce their salaries. Such measures usually bring people into line. However, since most Yablonovskii residents work in Krasnodar, they are beyond the reach of the Adegeya authorities.

Despite his initial setback, Sovmen went to enormous lengths to bring Yablonovskii to heel. In the spring of 2004, he introduced a bill to the republican parliament on eliminating Yablonovskii's municipal status. Lawyers in Sovmen's administration drafted the bill and answered critics with the query "Do you think you are smarter than the president?" (*Zakuban'e*, August 2004, no. 16). Nevertheless, the increasingly bold republican procurator (a federally appointed official), warned that the bill violated federal legislation. The republican parliament, loyal to Sevmen, approved it anyway.

In response, republican legislator Kalakutok filed a protest with the Adegeya Supreme Court, which ruled in May 2004 that the republican law did not violate federal legislation. Now, however, the Russian Supreme Court has overturned this finding and declared the republican law in violation of federal norms. The fate of Yablonovskii's efforts to maintain local democracy in the future are uncertain, especially if the Kremlin follows up on its plan to eliminate direct governors' elections with a plan to eliminate mayoral elections as well. - Oleg Tsvetkov in Maikop

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### **COMMENTS AND QUESTIONS**

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**TERRORISM**

**KARACHAEVO-CHERKESSIA DEPUTY PRIME MINISTER KILLED.** On 18 October, a group of assassins shot and killed Karachaevo-Cherkessia Deputy Prime Minister Ansar Tebuev, further escalating the level of violence in the North Caucasus. In the republican government, Tebuev oversaw the law enforcement agencies and was responsible for fighting crime. He was shot in his car in downtown Cherkessk, the region's capital, during the morning rush hour not far from the Ministry of Internal Affairs building. The location of the shooting suggested that the assassins wanted to show that they could shoot anywhere with impunity.

Upon learning of Tebuev's death, republican president Mustafa Batdyev called an emergency meeting of his government and described the assassination as a challenge to the authorities. The president and Tebuev had worked together closely for the last 20 years. Until his political appointment, Tebuev had worked his way up the ranks of the republican police force, ultimately taking the job as the head of the criminal police.

Shortly before his death, Tebuev was involved in confiscating illegally held arms from members of the population. In discussing the problem with the media, Tebuev said that there were many such weapons in the republic.

The day before Tebuev's death, seven young people, including a member of the Cherkessk city council, disappeared from their homes. The media has speculated that they are somehow connected to the murder, the criminal world in general, and possibly to units of Chechen fighters, though much remains unknown about the disappearances.

Currently, Russian public opinion does not associate Karachaevo-Cherkessia with terrorism, but several residents of the republic have been connected to terrorist acts. The authorities suspect that some ethnic Karachai were involved in the 1999 apartment bombings in Moscow and Volgodonsk. One of the organizers of the 31 August 2004 explosion near the Moscow metro is allegedly Nikolai Kipkeev. On 1 September in the center of Nalchik, the capital of Kabardino-Balkariya, republican resident Dagir Khubiev was shot by police on a busy street corner. The media have reported that the extremist group Dzhamaat No. 3 is operating within the republic and that hundreds of extremist Islamists have entered the region.

In Kabardino-Balkaria, the authorities have officially announced the presence of the Yarmuk group. They claim that group members have military experience and have undergone special technical and psychological training for subversive activities. The republican police have offered a reward for any information about the group. In Dagestan, the authorities have publicly announced that the extremists are organizing an attack on republican officials, particularly law enforcement agents. Dagestan is currently flooded with weapons and extremists.

Increasingly, Russian analysts are pointing out that the reasons for extremism in the North Caucasus are changing. If earlier the main cause was Chechen separatism and separatist feelings in other republics, now the primary cause is the ideology of Islamic jihad. Previously North Caucasus fighters sought the secular goal of national self-determination. Now many fighters of different nationalities are united by the more deeply religious ideas of the fundamental division of interests between the Muslims and "infidels." - Oleg Tsvetkov in Maikop

## **CENTER-PERIPHERY RELATIONS**

### **SAMARA EXPECTS PUTIN TO APPOINT STRONGMAN GOVERNOR.**

Konstantin Titov is now serving as acting governor of Samara. His term ran out on 2 July, when the court determined that he had illegally extended his term from four to five years in 2000. Originally, Titov had planned to hold elections in September, hoping to secure a new term quickly. After a long court battle, on 27 September, the collegium of the Russian Supreme Court overturned the oblast court decision on holding new elections, but did not set the elections itself, returning the question to the oblast court. Since President Vladimir Putin announced plans to appoint governors in the meantime, the oblast court has not sought to set a new election date. Rather observers in Samara now believe that their region will be one of the first in which Putin appoints a governor once the new legislation on regional political institutions is in place. Putin introduced this bill to the State Duma on 28 September (<http://www.legislature.ru/monitor/izmeneniyasubektov/93081-4.html>).

All of the Samara Oblast candidates who had planned to participate in the elections are now formally supporting Putin's proposal to appoint governors. Most observers believe that Putin will nominate a new governor from the ranks of the law enforcement, military, or security services. Among the most likely choices to replace Titov, who has held the post since 1991, are Samara Oblast procurator Aleksandr Efremov, Deputy Governor and chairman of the oblast government Sergei Sychev, State Duma member Vladimir Mokrii, and oblast parliament speaker Viktor Sazonov. Both

Efremov and Sazonov, the former head of the department of corrections, are considered to have roots in the ranks of the siloviki.

Observers believe that Putin will seek a silovik as governor because he wants to establish much greater control over the activities of the Yukos subsidiaries operating in Samara. Additionally, such a governor would also be more likely to establish greater federal control over the giant AvtoVAZ factory in Togliatti, which produces up to 70 percent of Russia's light automobiles. AvtoVAZ is important not only as the largest taxpayer in the oblast, but in the entire Volga Federal Okrug as well.

Despite the above speculation, incumbent Titov also has a strong chance to hold onto his seat through a Putin appointment, according to Federation Council member Leon Kovalskii. Having been in power for more than 13 years, Titov has gained a reputation as a politician committed to democracy, but one who is also loyal to the Kremlin. Samara observers suggest that the various candidates seeking to replace Titov will likely try to influence Putin's decision by publishing critical articles about their competitors in the press. In such conditions, Titov might emerge as a compromise figure who is generally acceptable to all sides. Of course, Putin may be disposed against Titov since the governor opposed him in the 2000 presidential election. - Sergei Khazov in Samara

**PRO-KIRIENKO MEDIA BACKS HIM AS NEXT NIZHNII GOVERNOR.** Most of the media in Nizhnii Novgorod Oblast is controlled by Presidential envoy Sergei Kirienko and his team. These press outlets have made clear their choice for the region's next governor -- Kirienko himself or the chairman of the regional legislature and head of the regional branch of the pro-Kremlin United Russia party Evgenii Lyulin. Current Governor Genadii Khodyrev, who was elected with the support of the communists and was expected to seek another term in fall 2005, apparently has little chance of retaining his office.

The only politician in Nizhnii Novgorod who expressed public concern about the president's plan to appoint governors was Mayor Vadim Bulavinov. He warned that the new system "raised the danger of creating an authoritarian regime." The mayor said that this danger was "theoretical" since "taking into account Russia's specific features a lot depends on the personality of the head of state," suggesting that he did not think that Putin would implement authoritarianism. He warned that "a system with a vertically organized executive branch theoretically could lead to an authoritarian regime in the absence of a normal mechanism of oversight." Nevertheless, Bulavinov described Putin's initiatives as correct.

Nizhnii Novgorod's gubernatorial elections had been set for summer 2005. In August, Lyulin proposed that all mayoral and city council elections in the region take place at the same time as the gubernatorial elections. Doing so would extend the terms of many of the current local officials by almost a year since their elections were supposed to take place this December. In contrast, Bulavinov's term would be shortened by a year since he was not due for reelection until 2006. Nevertheless, Bulavinov expressed no objections to the plan. The main benefits of the plan are that it will cut costs on holding elections, increase voter turnout since elections will all be held on one day rather than separately, and increase political stability in the region since elections at regional and local levels would only come once every four years. The only opponent of the plan was Governor Khodyrev. However, he was not able to make himself heard over the

supportive announcements backing the plan issued by the pro-Kirienko press. Following consultations with the State Duma, presidential administration, and Central Electoral Commission, Khodyrev changed his position and signed the bill combining the elections into law on 11 October. Now all regional and local elections in the oblast are set for 16 October 2005.

One consequence of combining the elections is that the new procedure will most likely favor the incumbents since no other group will have the resources to organize support for so many elections simultaneously. Most likely, there will be no further gubernatorial elections, with Putin appointing the next regional executive. Whether local elections will continue also remains an open question. - Rustam Bikhmetov in Nizhnii Novgorod

### **IN SARATOV, LEGISLATURE STARTS TO ASSERT ITSELF OVER**

**GOVERNOR.** Even before President Putin's proposal to appoint governors rather than elect them has been officially adopted, it is having an impact in Saratov Oblast. The regional legislature is starting to assert much more independence than it has in the past, when it effectively worked in conditions of complete dependence on the governor. Several of the legislators' recent actions show that Governor Dmitrii Ayatskov must reach agreement with them in completely different conditions and now he is much more dependent on them.

The first signs of opposition to the governor appeared on 22 September when the body was supposed to confirm the list of newly appointed oblast government members, including the new oblast finance minister. The need to confirm the new appointees came after a purge in which the so-called pro-Yeltsin and Chubais Family faction in the oblast government pushed out the "Petersburgers" who generally back the expansion of Putin's power.

Many legislators were angry by Ayatskov's appearance at the session on 22 September and 10 out of 35 members simply did not show up. While a quorum was present, it soon became clear that Ayatskov did not have enough votes to secure the approval of his appointees. Ayatskov took the tribune and denounced the "political terrorism" which he said existed at the federal level and was now working its way to the regional level. He then withdrew the confirmation of the appointments from the agenda. The question was not even raised at a subsequent meeting of the legislature on 6 October.

The conflict with the governor has also brought changes to the regional branch of the United Russia party. At a meeting on 2 October, the party's faction in the regional legislature effectively split into two groups. The new United Russia faction is composed of deputies who are in opposition to Governor Ayatskov. The party group once included 17 of the 35 regional legislators, now its membership is just 11. The party leadership criticized the old group for being unable to vote as a bloc even on the most important issues.

The head of the new party faction is Pavel Bolshedanov, who served until June 2004 as the head of the Saratov Gas Company. Now he works full time in the party staff. His first deputy is chairman of the Saratov State Television and Radio Company Andrei Rossoshanskii, who is not a member of the United Russia party or any other party. If gubernatorial elections take place in the region in March 2005, this group announced it would back Ayatskov's main opponent, State Duma member Vyacheslav Volodin.

On 6 October, the deputies forced out of Saratov's United Russia party organization set up their own party faction called "Together for the Motherland and Justice." It counts 12 members, including speaker Sergei Shuvalov. The group includes members of an earlier existing faction entitled "We are Together" and independent deputies who sympathized with the Motherland party. Shuvalov stressed that his group would not impose strict discipline on its members and that their main goal was to back "legality and order in the region." - Ilya Malyakin in Saratov

## REGIONAL ELECTIONS

### **"AGAINST ALL" SCORES WELL IN IRKUTSK LEGISLATIVE ELECTIONS.**

Irkutsk Oblast elected members of its 45-seat regional legislature on 10 October. Of the total, 23 seats were chosen through party-list voting and 20 through single-mandate districts, in accordance with the new legislation guiding regional legislative elections that went into effect in July 2003. Two of the elections in the single member districts were not valid.

In the party list voting, United Russia won the most votes, with 30 percent, followed by the Communists with almost 13 percent. Voters marking their ballot "against all" made up more than 11 percent of the total, a high number that raised concern among local observers. On this part of the ballot, United Russia won 9 seats, with the other parties getting significantly fewer (see Table 1).

Table 1. Results of Party List Voting in the 10 October 2004 Irkutsk Legislative Elections

Party	Vote Total	(Seats)
United Russia	30.07	(9)
Communist Party of the RF	12.84	(4)
Against all	11.32	
Agrarian Party of Russia	9.44	(3)
Motherland	9.06	(3)
For Our Native Angara!	6.92	(2)
Pensioners' Party	5.79	(2)
Socialist United Party of Russia	4.28	
Yabloko	4.18	
Liberal-Democratic Party	3.67	

Elections were valid in 20 of the 22 single-member districts. Elections in District 6 must be repeated because only the governor's first deputy chief of staff Yuri Faleichik was left in the race following the withdrawal of his opponents. In District 7, "against all" was the winner with 25.02 percent, forcing the vote into another round.

In the single member districts, United Russia was again the winner, taking half of the seats. Almost all of the other seats went to independents (see Table 2). Most of the winners were businessmen or professional members of the legislature, a common trend in Russian regional legislatures (see Table 3).

Table 2. Results of the Single-Member District Voting

United Russia - 10

Independent - 9  
Agrarian Party - 1

Table 3. Occupations of Single-Member District Winners

Business - 12  
Legislator - 4  
Academic - 1  
NGO/Foundation - 2  
Journalist - 1

-- Compiled from Teleinform's and BaikalInform's *Parlamentskii Vestnik Priangar'ya*, 11 October 2004.

## FOREIGN INVESTMENT

**BREWER'S REGIONAL TAX BENEFITS PROVOKE ANGER.** Brewer Sun Interbrew is at the center of a growing scandal about its ability to secure tax breaks in four of the nine regions where it operates. Russian State Duma members are asking why the profitable company does not pay taxes to help solve local problems. The regions involved are poor and do not have enough resources to meet their needs.

Currently regional legislation in Kursk, Ivanovo, and Mordovia frees the brewer from paying property tax. Deputies in the Klinskii raion municipality of Moscow Oblast have freed the company from pay taxes on advertisements. The aggressive advertising of the Klinskii brewery aggravated Duma members so much that they recently passed a law against beer ads.

The tax authorities charge that these regions have provided benefits to Sun Interbrew inappropriately. According to kompromat.ru, Sun Interbrew controlled 16 percent of Russia's beer market at the beginning of the year and made a pre-tax profit of 17 million euros. These figures are up 130 percent from previous years. The income of the main shareholder in the holding company, the Belgian firm Interbrew, topped 7 billion euros in 2003 and profits for the year went up 8 percent to 505 million euros.

Interest in the Belgian firm grew after it completed two major deals in recent months. First, it bought out its Indian partner, the Sun group, for 530 million euros. Sun's profitability in Russia since 1997 was 47 percent, a rate of profit seen only in the oil and telecomm industries.

Immediately after purchasing Sun, Interbrew announced that it would purchase the Brazilian AmBev. The new firm, called InterbrewAmbev, is the largest company in the world in terms of beer sales. Overall, Interbrew spent 12 billion dollars on both deals.

Currently State Duma members and the head of the Ministry of the Interior's Department for Combating Economic Crime are looking for ways to get Sun Interbrew to increase its tax payments. The Duma deputies have already asked the governors concerned to remove the tax breaks for Sun Interbrew, according to *Kurskii vestnik* (15 October).

In light of these actions, the press has already begun to speculate about the reasons for the deputies' activity. Beyond the deputies' desire to see more tax revenue, one theory is that they are afraid of Sun Interbrew's rapid growth. A second possibility

suggests that the regions in question are led by governors who are not popular with the Kremlin and the tax break issue could serve as a basis for removing these inconvenient officials in the near future. - Sergei Sarychev in Kursk

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(the EPFL) and four national research institutes. The ETH itself comprises 83 institutes and laboratories, 330 professorships, and about 840 lecturers who fulfill teaching obligations and conduct research. A staff of more than 7,500 - 25 percent of whom are women - work in teaching, research and administration. The ETH currently has 11,700 registered students.

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**NORTH CAUCASUS**

**CRIME, CORRUPTION PROVOKE CRISIS IN KARACHAEVO-CHERKESIYA.**

A battle over property in the region of Karachaevo-Cherkesiya has led to a string of murders and calls for the republican president to resign. The battle is over a cement factory -- one of the most important sources of income in the region.

On the night of 10 October, seven men were murdered at the house of republican president Mustafa Batdyev's son-in-law Ali Kaitov. These men were apparently competitors of Kaitov in a property dispute who had come to his house to settle their differences.

Unlike many of the conflicts in the North Caucasus, this one is not an ethnic conflict. All of the major parties to the dispute are Karachai.

News of these murders only became public after the 18 October murder of the republic's deputy prime minister Ansar Tebuev, who is responsible for the region's law enforcement agencies. Until the murder of Tebuev, the authorities kept silent about the murder of the seven men.

Relatives of the murdered men claim that the republic's law enforcement agencies covered up Kaitov's alleged crime. Neighbors of the house where the conflict took place heard shooting there and called the police. However, when the police arrived they did not find any evidence of wrongdoing. The bodies of the seven still have not been found.

Currently the republican procurator is investigating why the police apparently did not do their job.

Angered at the inaction of the police, about one hundred people, including relatives of the murdered, stormed Kaitov's house and found many bullet casings. The actions of the relatives drew the attention of the Russian prosecutor general and now the North Caucasus branch is investigating the case.

Still unhappy with the investigation, relatives of the seven stormed the president's office on 21 October. President Batdyev hid, according to reports on TV-tsentr. Presidential Envoy to the North Caucasus Dmitrii Kozak immediately arrived to calm the situation. He met with the relatives and assured them that the authorities would look for and arrest the perpetrators.

On 22 October, the republican parliament passed a measure calling for the replacement of republic's minister of internal affairs, the head of the Federal Security Service, and the procurator. On 25 October, however, Kozak said that any decision about removing the heads of the law enforcement agencies would have to wait until after the investigation was complete.

So far, the authorities have arrested 12 people, including Kaitov. Among those arrested are security officers who worked at Kaitov's compound and one police investigator who gave information about the course of the case to the suspects. The president's daughter has filed for divorce from Kaitov and the president is trying to distance himself from the case.

Most observers think that these events are just part of a larger criminal redivision of property taking place between the president, elected in 2003, and his competitors. Both the president and his son-in-law were close to the Caucasus Cement plant, which bankrolled his election campaign. Batdyev's campaign headquarters was located at the plant. Kaitov owned 25 percent of the plant and one of the seven murdered men, Rasul Bogatyrev, owned 30 percent.

The subsequent murder of Tebuev most likely is connected to the murder of the seven. One theory suggests that Tebuev knew about the murders and therefore was eliminated by Kaitov's people. Another possibility suggests that Tebuev was also involved in the property conflicts.

Many of the Karachai who have been protesting the actions of the republic's Karachai president blame him for his inability to counteract the growing criminalization of the republic, including the growth of organized crime and corruption. In the last five years, more than 200 people have been murdered and more than 500 have disappeared in this region of 450,000 residents.

At public demonstrations in recent days protesters shout that they do not care what nationality their president is, as long as he can protect their security and that of their children. As one orator pointed out, now "people are being killed like flies in the middle of the day."

Fear stalks the capital Cherkessk. The streets are empty by 7 in the evening. And the conflict is only getting worse. The number of participants in the last demonstration reached 1,500 and the people are losing faith in the authorities. President Batdyev's position is increasingly unstable thanks to the dissatisfaction with the work of the law enforcement agencies. - Oleg Tsvetkov in Maikop

## **REDISTRIBUTING PROPERTY**

**KREMLIN BACKS REPLACEMENT FOR ULYANOVSK'S SHAMANOV.** In October Ulyanovsk governor Vladimir Shamanov announced that he would not seek a second term as governor, apparently having been offered an as yet unspecified high-level job in Moscow, according to the city newspaper *Simbirskii kurer*. On 15 October Shamanov received a letter from the political council of the pro-Kremlin United Russia party advising him to withdraw from the 5 December gubernatorial race. Putin's favored party announced that it was backing Sergei Morozov, the mayor of the region's second largest city, Dimitrovgrad.

Most likely Shamanov was happy to learn of the party's decision. It was already obvious that the upcoming elections would be catastrophic for him. In offering Shamanov a post in Moscow, the Kremlin saved Shamanov from certain humiliation.

During the four years of his leadership, Shamanov bankrupted the region. He came to power as a heroic general, having fought in Chechnya and Dagestan, where he gained the aura of one of Russia's saviors. Ruthless politics, however, turned him into a paper tiger. He has one of the lowest ratings of any local politician -- 3 percent.

What caused this turn of events?

Ulyanovsk voters elected Shamanov in 2000, pinning their hopes for a better life to him. However, Shamanov did not become a successful leader. In fact, he will probably go down in the history of Ulyanovsk Oblast as one of the most ineffective. The hero-governor formed what amounted to a colonial administration, whose goal was to grab the economic resources of the region and shares of the most profitable enterprises. The people in Shamanov's team had no ties to the region and did not care about its interests. They behaved like Viking conquerors, what Mancur Olsen has described as "roving bandits." They took as much as much wealth as they could from the oblast and departed if they felt that they were in danger.

This state of affairs demonstrated Shamanov's inability to monitor even his closest colleagues. Moreover, the people serving as his immediate advisors were constantly changing. Most damaging for the governor was the terrible situation with heating, electricity, and water supplies in the oblast. The blackouts, absence of hot water, and lack of heat in apartments became debilitating. Ulyanovsk made the headlines when many village residents blocked roads to protest their conditions, and then died under the wheels of trucks.

The situation in the agricultural sector was equally bad. According to the local press, Shamanov's reform dividing the agricultural sector into production and processing divisions wreaked havoc in the Ulyanovsk countryside. Moreover, in a December 2003 issue, the journal *Ekspert* listed Ulyanovsk among the regions with declining business climates. The journal predicted that the oblast leadership would have serious problems.

These setbacks called into question Shamanov's leadership abilities and incurred the wrath of those who had voted for him. In this situation the United Russia party leadership decided not to make the situation worse and removed him the campaign. They feared that if Shamanov remained, voters would have cast their ballot "against all," deepening the regional crisis. The oblast has already faced an electoral crisis in which it has twice failed to elect a member to the State Duma. Both attempts to elect a

representative to the lower house failed when a plurality of voters chose "against all," an outcome that seriously angered the presidential administration.

Several candidates besides Morozov are running in the governor's elections: Mikhail Shkanov (Shamanov's first deputy), Aleksandr Kruglikov (leader of the local communists), Yurii Goryachev (former governor), Sergei Gerasimov (businessman), and Pavel Romanenko (Ulyanovsk mayor).

Morozov has the best chance of winning since his successful tenure as mayor recommends him to oblast voters. He has the active support of financial interests in Samara and presidential envoy Sergei Kirienko. Local observers fear that Morozov's outside backing means that his victory would lead to another redistribution of regional property combined with the corollary spike in criminal warfare.

How Ulyanovsk's next governor will fare in the new system in which Putin will appoint regional executives remains to be seen. - Arbakhan Magomedov in Ulyanovsk

## **EUROPEAN COURT OF HUMAN RIGHTS**

**POLITICAL PARTY WINS CASE AGAINST RUSSIA.** On 5 October, the European Court of Human Rights in Strasbourg ruled that Russia had violated the rights of the members of the Presidential Party of Mordoviya to free peaceful assembly and association. The court ordered Russia to pay 3,000 euros in damages within three months.

The Justice Ministry of Mordovia registered the Presidential Party on 15 March 1994. In accordance with the law on social organizations, which came into force on 19 May 1995, the party had to reregister by 1 July 1999. However, the ministry refused to reregister the party, citing a republican law that required it to have branches in more than half of the republic's cities and districts. It also claimed that the party charter did not include a provision stating that the party would participate in the republic's political life.

In August 1999, the republican Ministry of Justice sought a court order disbanding the party on the grounds that it had failed to reregister. However, on 29 December 1999, the Leninsky District Court of Saransk dismissed the request for dissolution. It found that the party had clearly stated its intention to participate in the republic's political life and that the provision to set up branches only applied to all-Russian parties, which according to federal law had to set up branches in more than half of Russia's regions. The court ordered the ministry to renew the party's registration.

However, the ministry appealed the decision. On 14 March 2000, the Mordovia Supreme Court quashed the raion court decision. The court found that the party did not state its goals clearly enough and ordered its dissolution.

In yet another turn around, on 5 September 2002, the Presidium of the Supreme Court of Mordovia quashed the ruling of Supreme Court and upheld the district court, ordering the registration of party after all.

Ultimately, on 29 October 2002, the Ministry of Justice sought a new court order, pointing out that it could no longer register the party as the 1999 court order required. Since 1999, the power to register parties had been transferred to the tax authorities. Additionally, the law on political parties adopted on 11 July 2001 changed the requirements for registering parties. The new law prevented the formation of regional parties, like the Presidential Party of Mordovia, and any existing regional parties were deprived of their current status. On 30 October 2002, the Leninsky district court

terminated its order of 1999. It recognized that it was no longer possible to register the party.

The Presidential Party, of which I am the leader, sought damages from the European Court because it had not been able to function for nearly three years and was not able to participate in the 1999 elections. In defending its position before the European Court, Russia acknowledged that the court's actions had been illegal in blocking the party's activity, but pointed out that the presidium of the Supreme Court of Mordovia had acknowledged that fact in overturning the decision in 2002. Nevertheless, the European Court found in favor of the Presidential Party determining that it had suffered irreparable damage since it could not operate for a significant period of time and that, given the change in legislation, it cannot now be reconstituted. - Vasili Guslyannikov in Saransk

## **CORRUPTION**

### **CHARGES FILED AGAINST ROSTOV DEPUTY CONSTRUCTION MINISTER.**

Yet another corruption scandal is shredding Rostov's previous reputation as a model region. At the end of October, authorities filed charges against First Deputy Oblast Minister for construction, architecture, and the housing complex Vladimir Timchenko. The scandal comes at an extremely important time, since now the city of Rostov-na-Donu is nominating and registering candidates for mayor.

The new scandal is blow against the most important politicians in the region. Attention is now focused on Governor Vladimir Chub, his first deputy Ivan Stanislavov, and construction minister Yurii Andriadi, the immediate superiors of the accused. Minister Andriadi has taken leave from his position and left the oblast. Also tarred is Rostov Mayor Mikhail Chernyshev, who previously employed Andriadi and Timchenko.

These men currently control all of the construction business in Rostov and the housing and communal services sphere. The scandal could hurt Chernyshev's reelection chances in the mayoral race, where he faces intense competition from former chief federal inspector for Rostov Gennadii Kapkanov and Communist leader Nikolai Kolomeitsev.

The procurator has officially accused Timchenko of stealing 117,000 rubles. However, sources in the presidential envoy's office say that the sum is only what the procurator believes he can prove and a more realistic figure of the damages is closer to \$5 million. Unfortunately for Timchenko, he is a relatively unimportant figure who will likely be held accountable for the actions of his former and current superiors. Most likely Governor Chub is trying to use his remaining contacts in the procurator's office to shut the case as soon as possible, though it remains to be seen how successful he will be. - Aleksandr Krasnov in Rostov-na-Donu

## **BUSINESS AND POLITICS**

**SUN INTERBREW SIGNS SOCIAL AGREEMENT WITH MORDOVIA.** On 21 October, the Saransk branch of Sun Interbrew and Mordovia signed a cooperation agreement. Sun Interbrew owns the Saransk brewery and is currently building Europe's largest malt factory in the region. According to John Brock, the CEO of InBev, the world leader in beer production and the owner of Sun Interbrew, his firm has invested \$1.3

billion in Russia and plans investments as large as \$150 million each year for the foreseeable future.

Mordovia sees the brewer as a "vitaly important business partner." According to their agreement, the company will significantly increase beer production at its Saransk plant, complete construction of the malt factory, and refurbish an existing malt factory. The firm also agreed to buy all barley delivered by Mordovia farmers no matter how much they produce. All of these activities are expected to increase tax revenue for the republic, providing 360 million rubles (\$12 million) this year and up to one billion a year in the future. - Igor Telin in Saransk

## **BOOKS WORTH READING**

### **HOW LOCAL GOVERNMENT BLOCKS ETHNIC MOBILIZATION**

Tomila Lankina, *Governing the Locals: Local Self-Government and Ethnic Mobilization in Russia*, Lanham, MD: Rowman & Littlefield, 2004.

In order to understand social change in Russia, or any country, it is necessary to look at the local level. Things happen there first, whether one is talking about terrorism or democratization. Lankina's *Governing the Locals* is extremely important in this regard because it is one of a very few available works that focuses precisely on local level actors. Such actors naturally are not very glamorous, but they deserve increased attention. Books like this one will focus more intellectual energy on this very under-researched topic.

Lankina examines how local governments worked to mobilize and demobilize ethnic social movements. She examines the situation in Russia's ethnically defined republics from the collapse of the Soviet Union through Putin's tenure. In the aftermath of Beslan, her analyses of North Ossetia and Ingushetia in the 1990s remain timely.

Lankina makes a large contribution to the literature by pointing to the role of the local government in supporting and suppressing social movements. This obvious point has been neglected until now. She is absolutely right that the state provides enormous resources for such movements through their control over social networks, material resources, and public agenda setting, and needs to be taken into account in explaining their rise and fall.

This book demonstrates in great detail the anti-democratic aspects of Yeltsin's rule. By allowing the governments of Russia's republics to take control of local governments and then use them to suppress ethnic movements, Yeltsin's administration put strong limits on the extent of grassroots democracy in Russia. Lankina shows how this trend is continuing as Putin includes local governments into his power vertical, turning them into a mechanism for controlling local populations throughout the country.

Lankina's argument that local government can work to reduce the level of grassroots democracy will challenge the existing literature on local government to pay more attention to its underlying assumption that local government generally helps democracy. Lankina's work is original in that it examines how local government can be used to demobilize popular movements. This is a very interesting idea that is sure to stimulate further research.

Students of federalism will find plenty of interest here. Lankina's examination of how regional governments claim that they are implementing federal laws requiring independent local government and then find a variety of ingenious ways to avoid actually implementing such laws is extremely stimulating. This topic (regional non-compliance) has been analyzed by other scholars in the field, such as Kathryn Stoner-Weiss. Lankina makes a real contribution to this discussion with her detailed analysis of the local government issue. - Robert Orttung

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**STATE AND CIVIL SOCIETY**

**PERM FORUM MARKS DECLINE TO MANAGED SOCIETY.** Perm hosted an all-Russian social forum bringing together representatives of the authorities and civil society on 10-12 November, marking the third such gathering in the Putin era. This meeting had the least amount of interaction between the authorities and civil society of all the sessions. Moscow hosted the first Civic Forum in 2001, bringing together more than 5,000 people.

With each successive forum, the authorities have increasingly taken control of the organization, with less and less participation by civil society groups. In 2001, the organizing committee, including state and society representatives, had a difficult time coming to a consensus on organizational issues. This time the authorities ran the show on their own. The authorities ignored the demand of several leading groups that it was unacceptable to merge the forum with a market for social projects, offering grants to support selected projects by the pro-Kremlin United Russia party. As a result, many of the most prominent civil society group boycotted the conference.

With each successive forum the limits for constructive dialogue between the groups and society have become increasingly narrow and the sessions have simply become arenas for discussing banalities. At the 2001 forum, there were 32 squares for

negotiations in which ministers and deputy ministers worked with group leaders to resolve concrete issues. At last year's forum in Nizhnii Novgorod, there were six such squares. This year in Perm, there were none. Only two ministers came to Perm. Health and Social Development Minister Mikhail Zurabov's opening remarks lasted about an hour, leading one group leader to comment that "it was a lecture rather than a dialogue." At the roundtable with Education and Science Minister Andrei Fursenko, the chair recognized eight speakers, only one of whom represented a civic group.

The forum demonstrated the successful cooperation between the Perm authorities and social groups in resolving important social problems. However, the conference left the main question unanswered: are the federal authorities ready for real cooperation with civil society or are they merely happy with imitating such cooperation? - Andrei Suslov, director of the Center for Civic Education and Human Rights and a participant of the conference in Perm

## **REGIONAL LEADERSHIP**

**NENETS OIL REGION EXPECTS NEW GOVERNOR.** The oil-rich Nenets Autonomous Okrug is planning to elect its next governor on 23 January 2005, assuming that legislation on appointing governors is not adopted by then.

Incumbent governor Vladimir Butov cannot compete for a third term because the okrug charter forbids it. Efforts by Butov to amend the charter have all failed.

Butov's tenure has been marked by scandal and intrigue. In winning reelection in 2000, he beat back a candidate heavily financed by LUKoil. Despite the fact that he has faced many unresolved criminal cases, Butov remained popular among the voters. They liked him because he often stopped his car near pensioners on the road and drove them home, lent money to drug-addicted street people, welcomed all visitors, and spoke straightforwardly in conversation.

Those days are gone. Now Butov spends little time in the region and openly promotes his personal interests over those of the state. Firms under his control, or those closely connected to them, usually win state contracts. Among his failures, Butov has quarreled with all of the oil companies working in the region, failed to implement an effective economic policy, lured little foreign investment, and antagonized the regional legislature.

If the elections are held, the most likely winner will be Alexei Barinov, the former chief federal inspector in the region and the former head of LUKoil subsidiary Arkhangelskgeoldobych. Barinov has close ties to the okrug and is well known among voters. He has extensive political influence in the okrug, Arkhangelsk Oblast (of which the okrug is a part), and Moscow. The oil companies working in the region back him, anticipating that he will secure a good working environment for them. Additionally, Barinov is personally wealthy and can spend as much of his own money on the elections as is necessary.

Life will not be easy for the new governor. Butov failed to sign a power-sharing agreement on behalf of the okrug with Arkhangelsk. Thus, according to Russian law, Arkhangelsk Oblast will have the right to monitor all of the okrug's finances. The oblast is now preparing the okrug's 2005 budget. Most likely, the okrug will lose a considerable part of its income and gaining full funding will depend on the oblast. In effect, this means

that the first step toward merging the okrug and oblast into one larger unit has been taken, a goal that the Arkhangelsk authorities have long sought. Arkhangelsk has also used the fact that the okrug authorities have not divided the region into local government units, a process that federal law requires to be complete by the beginning of 2005, as another reason for merging.

If Barinov wins election, then a merger is extremely likely. Such an outcome had been inconceivable while Butov was still in power. Though Barinov has said nothing publicly about such a merger, it would serve his political and economic interests. The election of Barinov would repeat the scenario already carried out in the Komi-Permyak Autonomous Okrug, in which the election of Gennadii Savelev as okrug governor paved the way for a merger with Perm Oblast. - Yuri Shabaev in Syktyvkar

**SARATOV ELECTIONS IN DOUBT.** Saratov Oblast is supposed to hold gubernatorial elections in March 2005. When Putin announced in September that he planned to appoint governors, many assumed that the elections would not take place. However, the legislation changing the procedures for choosing regional executives is moving slowly through the State Duma, making the need for elections increasingly likely. The Saratov Duma must officially start the campaign process in December if the elections are to take place in March.

Now whether there will be elections depends on the political calculations of the main players. Governor Dmitrii Ayatskov is currently less inclined to hold elections because he feels that he is in Putin's good graces. The president recently moved a meeting of the State Council presidium to Saratov at the last minute and was complimentary to Ayatskov during the visit. Additionally, the procurator dropped all charges that he had recently filed against Ayatskov. Under what he perceives as favorable conditions, Ayatskov might be more willing to take his chances with a Putin appointment than face the will of the voters.

The governor's main challenger, State Duma Deputy Speaker Vyacheslav Volodin, a high ranking United Russia party member, does not have a strong relationship with Putin and is often identified more closely with Moscow Mayor Yuri Luzhkov. He would prefer to have elections. To ensure that the elections go forward as planned, he needs a majority in the regional legislature to officially start the campaign process. He is trying to impose party discipline on United Russia legislators to get them to initiate the elections. However, many of them are inclined to support Ayatskov, so the governor has the upper hand at the moment. That could mean a delayed vote on holding the elections until the situation with Putin's proposals becomes clearer. - Ilya Malyakin in Saratov

## **CENTER-PERIPHERY RELATIONS**

**BASHKORTOSTAN SEEKS CHANGES IN PUTIN'S REFORM PROPOSALS.** If actually implemented, Putin's plan to appoint governors would empower the Kremlin bureaucracy in its efforts to dictate policies that serve its interests to the president. Since many of the resources of the ruling party are concentrated in the "ruling party" of United Russia, this party could become one of Russia's most influential institutions, lobbying the interests of the bureaucracy in the appointment of governors. Clearly there is great interest among the president's advisors in this issue given that they want to inherit the

legacy of the once independent governors. This legacy, at a minimum, includes control of the uniformed ministries at the regional level, access to the regional economy, control over the regional media, control over local courts, and many other resources.

United Russia General Secretary Valerii Bogomolov, considered the second person in the party and close to Putin, said that he is counting on the president to give preference to the candidates chosen by United Russia in the appointment of governors. He suggested that the party earned this right in winning a majority of the State Duma (<http://www.gzt.ru/print.gzt?rubric=&id=64050700000033426>).

Bogomolov said that United Russia would use all of its influence in regional parliaments to ensure that they approved the president's appointments. Where the party does not control a majority in the regional parliament, it would use other resources to convince the regional authorities of the necessity of supporting candidates they do not like.

However, United Russia does not control all regional legislatures. At a time when opposition to the Kremlin is not in fashion, the parliaments of Tatarstan, Moscow, Chuvashia, Bashkortostan, and several other regions have expressed concern about the new initiatives. In particular, the parliaments worry about giving the president the power to dissolve a regional legislature if it twice rejects his choice.

In Bashkortostan, President Murtaza Rakhimov officially supports Putin's initiatives, while he allows the republican parliament, which he controls, to make critical statements. In essence, members of the legislature are doing the dirty work for Rakhimov in opposing United Russia. While these legislators are formally members of United Russia, they are primarily loyal to Rakhimov.

Immediately after Putin announced the reforms on 13 September, United Russia faction leader Vladimir Kashulinskii deemed Putin's proposal "unacceptable for Bashkortostan," arguing that it violated the Russian Constitution as well as Bashkortostan's basic law. According to the constitution, Bashkortostan is a state (*gosudarstvo*) so therefore any appointment of the regional executive from outside is unacceptable.

Later, under pressure from the national party leadership, the Bashkortostan branch of the party weakened its formulation, telling the media that it backed indirect elections of the republican leader. However, they insisted that the regional parliament have equal rights with the president and not play a merely decorative role in choosing the regional leader. Essentially, they sought to deprive the president of having a free hand in appointing Bashkortostan's leader.

According to its proposed procedure, the regional parliament would prepare a list of candidates to lead the region. Then a committee, half of whose members represent the regional parliament and half the president, would discuss the candidates. The commission would propose to the president one or more candidates. The president would choose one candidate and nominate him to the local parliament. If the parliament twice rejects the candidate or if the president rejects all the candidates on the list, the issue returns back to the commission, which will put together a new list. The regional parliament could not be disbanded under any conditions by the president.

Basically, the proposal overturns the gist of Putin's initiative - allowing the president to name regional leaders - though it does cancel direct elections. The head of the Bashkortostan branch of United Russia Aleksandr Degtyarev pointed out that the

procedure of appointing from above better suits the Russian mentality and the new procedure would block anyone from outside the existing system from coming to power as a governor.

According to gazeta.ru, the sharp criticism from several regional parliaments concerned the Kremlin. Putin has said that he would conduct further discussions with the regions.

What happens next will have important consequences for United Russia. Either this party will strengthen itself or the regions will form their own party to defend their interests -- there is still plenty of time before the next State Duma elections, set for December 2007. - Igor Rabinovich in Ufa

## **ECOLOGICAL ISSUES**

**FISH MAFIA, UKRAINIAN RELATIONS THREATEN AZOV SEA.** The ecological catastrophe facing the Azov Sea was one of the main topics of a meeting between President Putin and Krasnodar governor Aleksandr Tkachev at the Kremlin on 11 November. The krai security council had already discussed this issue at an earlier session.

The state of the Azov Sea is one of the most pressing ecological problems for Krasnodar Krai. Until the beginning of the 1980s, the sea was the most productive in the world. Then various enterprises caught 170-200 thousand tons of fish a year. Sixty percent of this haul was valuable fish - pike, bream, sea-roach, sturgeon, and others. Thanks to the uncontrolled fishing of local residents, the total amount of fish caught some years was as high as 400,000 tons.

This abundance came to an end at the beginning of the 1980s when two giant dams were built on two of the rivers feeding into the sea, the Don and the Kuban. The Azov Sea began to experience a shortage of water. Pollution levels began to rise thanks to the increased output from industrial enterprises, construction on the shelf of oil and gas wells, and increased use of pesticides in agriculture. The additional pollution reduced the level of fish in the sea, several species died off, and others became endangered.

Even as the fish supply was shrinking, demand remained strong, met by extensive amounts of poaching. On the Russian side of the Azov Sea, there are thousands of illegal groups of fishermen, sometimes employing the most barbarous methods to catch fish, including dynamite. Generally the quota for the size of the haul is 12,000-15,000 tons, including 0.9-1.2 tons of valuable sturgeon. But according to the Moscow media, at just one Moscow market (Cheremushkin), traders sell no less than 20 tons of Azov sturgeon and a half ton of caviar harvested illegally each year. The price for a kilogram of the fish fluctuates between 10 and 30 rubles, while the black caviar is \$250 to \$350.

Extensive poaching also occurs on the western bank of the Azov, which belongs to Ukraine.

The amount of money involved in illegal fishing is so large that poachers can buy the latest technology and equipment which makes it practically impossible for the law enforcement agencies to catch them. They use satellite observations systems, powerful ships, and rifles. Rare stories about the capture of poachers often sound like scenes from a battlefield.

The phrase "fish mafia" long ago entered the lexicon of the local media. In addition to small-time poachers acting in small groups, every year the authorities catch ships from Turkey, Bulgaria, and Ukraine fishing in Russian waters. Russian organizations regularly exceed their quotas by 5-6 times. "Shadow business controls almost all of the bioresources in the sea," the governor told his security council.

In 2003 the federal government tried to address the situation by transferring responsibility for enforcing fishing laws to the federal border service. But the transfer did not have any consequences - the large ships of the border service were fine for dealing with foreign poachers, but were practically powerless against the small ships of individuals.

Today 12 ministries and agencies are responsible for preserving Russia's bioresources. Nevertheless, illegal fishing is 13-14 times as large as the legal catch.

Krasnodar Krai needs federal help to address the problems of the Azov Sea. This is partly because the Azov Sea became an international waterway with the collapse of the Soviet Union. A unified system of management no longer exists. In recent years, Ukraine sharply increased the quotas for catching sturgeon on its shores. The Krasnodar authorities see this move as an unfriendly act. All the factories for producing young sturgeon in the Azov Sea are in Krasnodar Krai. Their activity supplies about 80 percent of the professional catch of sturgeon, most of which takes place on the Ukrainian side. Subsidies for these factories each year cost the oblast budget \$5-7 million, but the Ukrainians get most of the profit.

Governor Tkachev stressed to Putin that it is time to sign a series of agreements with the Ukrainians about cooperating in this sphere. It is also time to reduce the number of agencies involved and improve the equipment they use.

Local ecologists expressed little enthusiasm about dealing with this issue at such a high level. They believe that the Krasnodar authorities view the Azov Sea strictly from an economic point of view. They feel that any ecological measures adopted with an eye to increasing the krai's revenue are doomed from the start. Additionally, there is new construction on the banks of the sea that could do considerable harm to the ecological situation. For example, the Togliatti Nitrogen factory is building a terminal for transporting ammonia. The Russian resource ministry announced plans for the end of 2004-early 2005 to auction the right to search for and extract gas and oil in the krai. Of the 40 sites set to be auctioned, one third are on the shelf of the Azov Sea. Several are near protected areas. Various social and ecological groups have protested the situation, but they are powerless against the interests of Russian corporations. - Sergei Danilchenko in Krasnodar

## **CRIME**

**POLICE STATISTICS BELIEVE SITUATION IN THE SOUTH.** Despite the recent hostage seizure that resulted in more than 330 deaths and the on-going terror in Chechnya, the head of the main administration of the Ministry of Internal Affairs (MVD) for the Southern Federal District Mikhail Pankov announced at the end of October that the police essentially had the situation in hand. Clearly, the police data have little relationship to reality. The public and press continue to speak of the extensive corruption in the MVD, the deficit of personal responsibility among the leadership of the law

enforcement agencies for their failures, and many other problems in the battle against crime and terrorism.

According to Pankov, the figures for the first nine months of the year show that the overall level of crime in the region is less than the average for Russia in general - 1,023 crimes per 100,000 population versus 1,507 for Russia overall. The number of serious and especially serious crimes registered dropped 20 percent. Other indicators fell, while the percentage of crimes solved increased.

Despite the overall positive evaluation of the situation, Pankov pointed out a number of problems. During the last nine months, over 200 terrorist acts were committed in the district. The measures taken in response have been ineffective.

The police are particularly concerned about efforts by criminal groups to take parts of the economy under control, particularly high profit sectors such as the oil complex, alcohol production, the bank sector, and foreign trade.

The police have not been able to improve the situation in Chechnya. They have been particularly ineffective in stemming the flow of illegal weapons. In Chechnya, Dagestan, and Ingushetia, traffickers often use cars with no license plates to transport contraband guns and such cars are still visible on these roads.

Crime in Russia's south supports terrorism in other parts of the country, so it is important to deal with the problem at the national level. Federal officials have proposed a variety of measures. Federal Security Service Nikolai Patrushev, for example, called for tougher sentences for people convicted of crimes connected to terrorism and the creation of an anti-terrorism center that would coordinate the activities of the uniformed and civilian ministries. Other officials have suggested more original solutions. Procurator General Vladimir Ustinov, for example, proposed detaining the relatives of hostage takers in case of another hostage situation, holding them as "counter-hostages." He also suggested streamlining the process of trying suspects, improving counter agents, defending witnesses, providing insurance against terrorist acts, and paying citizens for information. - Oleg Tsvetkov in Maikop

## **HOUSING REFORM**

**KURSK OFFICIALS SEEK ASSETS TO BLOCK FEDERAL MONOPOLY.** In September, Kursk governor Aleksandr Mikhailov created a company that will eventually control most of the region's electricity and heat supply companies. Kursk officials will have a controlling stake in company, to be called Kurskkommunenergo, and eight municipalities, including the city of Kursk, will own the other shares. The new company will have charter capital of 100,000 rubles, but will initially rent assets from the oblast worth 12 billion rubles. According to federal plans, these assets must be privatized by 2006, so Kursk Oblast is planning to transfer them to the new firm, of which it will own a majority stake. The oblast plans to add in the local water supply system as well.

The oblast authorities are speeding to gain control of these assets in order to block the efforts of the newly established firm Russian Communal Systems (RKS), a subsidiary of the Russian electricity monopoly, for introducing its own plan to reform Kursk's municipal services system. RKS wants to lease all of the oblast's municipal service providers, claiming that as part of the national firm the assets would be more attractive to

investors. However, the oblast authorities convinced the responsible city authorities that it would be better to join the oblast plan.

The oblast authorities justify their efforts to block RKS by arguing that the firm does not provide any real investment and only tries to grab the municipal property for itself. The oblast authorities claim that they can reform the communal sector without the help of a Moscow investor. They claim that the municipal services sector can be profitable and that it does not make sense to transfer it to private hands. The officials claim that combining all electricity and heat generating firms into one company will make it easier to keep their prices more flexible and more effectively monitor state investments into the sector. Last year such investments amounted to 9 million rubles and should rise to 20 million this year.

The formation of the new company should also reduce the debts owed to the energy companies. These debts grew in recent years because municipalities could not pay for the electricity and heat they needed. Currently, these debts are 300 million rubles. The oblast government has signed an agreement according to which the cities will pay off 40 percent of the debts this year and the rest in the next 2-3 years.

Finally, the creation of the new company will allow the oblast to stop buying electricity from Kurskenergo, a subsidiary of the Russian electricity monopoly, and start purchasing it on the federal wholesale market (FOREM). Currently Kurskenergo and municipal enterprises each provide about one half of the region's needs. Under the new system, the oblast will buy half its electricity from the municipal enterprises at 1.6 rubles a kilowatt hour and half from the Krasnoyarsk hydroelectric station at 1 ruble a kilowatt hour. These prices are lower than what Kurskenergo charges. By transferring to the wholesale market, the Kursk electricity sector will no longer be loss-making. Implementing these plans will be a direct blow to Russia's electricity monopoly. - Sergei Sarychev in Kursk

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### **COMMENTS AND QUESTIONS**

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**SINO-RUSSIAN RELATIONS**

**KREMLIN HANDS KHABAROVSK ISLANDS TO CHINA.** President Putin's recent state visit to China featured a number of breakthrough agreements, including one which cedes Tarabarovi Island and half of Bolshoi Usuriyskii Island (earlier referred to as "the disputed territories") from Khabarovsk Krai to China. Khabarovsk residents expressed bitter regret about the treaty, with regional legislators accusing the Kremlin of "betraying the motherland," because federal authorities made the agreement public only after they had signed it. As the regional parliament entertained a motion to condemn the transfer, the local communist party organized small protest demonstrations. Economists in Khabarovsk predict economic losses of up to \$3-4 billion. They claim that now airplanes will need a different landing route to approach the Khabarovsk airport. The Kremlin, however, labeled these claims baseless and accused the locals of ignoring the potential gains from trade.

While Putin's Far-Eastern presidential envoy Konstantin Pulikovskii unequivocally supports the agreement and stresses the opportunities it opens for bilateral relations and trade, Khabarovsk governor Viktor Ishaev has refrained from commenting. He has long opposed ceding any territory to China, even claiming that Beijing had purposefully built 300 dams to change the current of the Amur River, redirecting its flow to form a basis for making territorial claims on Russian land. Ishaev was a member of the Russian delegation accompanying President Putin in Beijing (together with all other Far-Eastern governors), but it is not yet clear whether he had prior knowledge of the agreement.

Either way, the recent accord is a loss for Ishaev and victory for the federal authorities which finally removes a large stumbling block in Sino-Russian relations. The development may convince the Kremlin that it will no longer be important to appease Ishaev, who is the only

heavy weight governor left in the Far East. Primorskii Krai governor Yevgenii Nazdratenko was ousted by the Kremlin, Sakhalin governor Igor Farkhutdinov died in a helicopter crash, Magadan governor Valentin Tsvetkov was assassinated on the streets of Moscow and Kamchatka governor Mikhail Mashkovtsev has been indicted by the regional procurator. Ishaev managed to stay in power while remaining independent from federal influence, including Pulikovskii's.

The ceded land totals only 337 square kilometers. They possess no significant amounts of minerals, although they do boast fertile soils, and are home to approximately 400 Russians, thousands of empty country houses (*dachas*) and some military installations. The state border will now be transferred 25 kilometers closer toward Khabarovsk, reaching the city line. The locals view the move as a danger, but the federal authorities regard it as a trade opportunity.

The Sino-Russian border disputes have a long history. After China's demise in the "Opium Wars," the Russian empire, determined to offset British and French domination in Asia, proposed that China return lands north of the Amur River (China had taken them from Russia two centuries earlier). The Chinese, knowing that Russia would have annexed the territory anyways, relinquished it. In 1860 the two countries signed the "Beijing agreement," according to which the territory of what is now the Amur region, (Khabarovsk and Primorskii kraia and the Jewish autonomous region), was "returned" to Russia with the state border stretching along the Amur River. Though the Chinese considered the agreement "unfair," they generally have adhered to it ever since. The Russians, on the other hand, modified it as they pleased, including the annexation of islands in the middle of the river. Furthermore, during the Japanese occupation of Manchuria, Soviet armies were stationed on some islands on the Chinese side of the river. By 1964 the two countries attempted to settle the border dispute diplomatically but these efforts were interrupted by a border clash on the Damanskii peninsula. Only in 1991 did Moscow and Beijing reaffirm the treaty of 1860. This deal has allowed China to reinvigorate its legal claims over some of the islands.

Dissatisfaction with the Kremlin's policy toward China is not new in the Russian Far East. In 1993 the border demarcation commission announced that a 17-km stretch (illegally occupied by the USSR in 1938 after the first border clash) which connects Russia to North Korea must be returned to China. In response, Nazdratenko launched an anti-Chinese campaign in the local media, effectively blocking resolution of the dispute. The Russian "occupation" of the 17 km stretch cuts off Chinese access to the Sea of Japan. The Primorskii Krai administration has long had plans to build a port in the spot where the borders of the three states meet and is especially concerned that China may build the port alone.

During the past decade, Far Eastern regions generally were able to defend their interests. They managed to keep the question of the disputed territories off the bilateral agenda and to thwart the demarcation process. Today, as Russia and China increase the scope and breadth of their cooperation, standing in the way has become increasingly perilous. Perhaps this is why Ishaev has been constrained in his attacks recently. During Putin's visit, the two countries not only reaffirmed adherence to a multi-polar world order and mutual respect of sovereign rights, but also set goals to triple bilateral trade from \$20 billion to \$60 billion by 2010 and to expand joint nuclear and space programs.

More importantly, China has finally agreed to Russia's admission to the World Trade Organization (WTO), despite the fact that earlier this year Moscow angered its southern neighbor by bailing out from an agreement to transport oil to Daquin and banning the Chinese State Petroleum company from participating in the privatization of the Slavneft oil company. Probably, the islands and the WTO deals have become bargaining chips in a complex geopolitical deal.

There is, however, another important dimension that can not be ignored: energy. Tokyo had earlier promised to provide investment for construction of an oil pipeline from Taishet to the Pacific coast, but is now connecting it with the question of Kuril Islands (or so called "Northern Territories"). Because Chinese investment may well replace Japanese, Moscow is eager to improve relations with China in order to check Japanese leverage. In this light, the Kremlin

promise to increase the oil supply to China by 10 million tons in 2005 and by 15 million in 2006 was a good prelude to the recent breakthrough visit. - Slava Shirokov in Vladivostok

## **UKRAINIAN ELECTIONS**

**ROSTOV GOVERNOR AIDED YANUKOVICH CAMPAIGN.** Rostov Governor Vladimir Chub sought to demonstrate his usefulness to President Vladimir Putin by providing support to Prime Minister Viktor Yanukovich in the run up to the second round of the Ukrainian presidential elections. To secure the victory of Yanukovich, the Kremlin essentially was willing to intervene in the internal affairs of its sovereign neighbor.

The most visible sign of Russian support for Yanukovich was Putin's two visits to Ukraine during the campaign. During his trips Putin signed agreements that were extremely profitable to Ukraine, but were of less usefulness to Russia, in an attempt to boost Yanukovich's chances.

Naturally, the campaign conducted at the highest level had to be supported at the local level in the Russian regions bordering Ukraine. Chub never passes up a chance to demonstrate his usefulness to President Putin, and by that means, guarantee his appointment as governor for another term under Putin's new rules for choosing governors. Three days before the second round election, Chub visited the neighboring Lugan Oblast in Ukraine where he signed a cooperation agreement and reduced the requirements placed on Ukrainians for registering in Rostov Oblast.

In Rostov, where many Ukrainians live, the authorities led a campaign to support Yanukovich. The Ukrainian consulate in Rostov-na-Donu was plastered with giant posters displaying Yanukovich's portrait, while there was no mention of Viktor Yushenko's candidacy. The Ukrainian media is not available in Rostov. The Rostov oblast administration organized bus transportation for Ukrainian citizens living in Rostov. Oblast officials accompanying the buses without identifying themselves campaigned for Yanukovich, threatening that if Yushenko won, there would be no choice but to revoke the measures making it easier for the Ukrainians to cross the border, a major blow to the Ukrainians. They also suggested that there would be problems in delivering Russian gas and oil.

These actions demonstrate how the Russian authorities were willing to intervene in the Ukrainian elections to secure the victory of their preferred candidate. It also shows how a Russian regional leader was willing to participate in this effort, violating elementary norms of international law in order to please President Putin and save his career. - Aleksandr Krasnov in Rostov-na-Donu

## **UKRAINIAN CRISIS COMPLICATES LIFE FOR KURSK RESIDENTS, FACTORIES.**

The Ukrainian electoral crisis is topic number one for all conversations and newscasts in Kursk. Such interest is not surprising since Kursk borders on Ukraine's Sumy Oblast and many oblast residents have relatives who moved there during the twentieth century seeking work in Ukraine's factories and mines. Thousands of ethnic Ukrainians live in the border regions and in some villages only Ukrainian is spoken.

Overall opinions about events in Ukraine are divided, but most support Prime Minister Viktor Yanukovich. According to a poll conducted by the region's most popular newspaper, 51 percent of the residents think that Yanukovich won. Only 8 percent thought Viktor Yushenko was victorious and that the opposition should fight until his ultimate victory.

Residents are worried about the steps that Ukraine is taking to strengthen its border. People in Glushkov and Sudzhan raions of Kursk Oblast claim that they saw armored troop carriers moving close to the border. Because of the increased security on the border, it has become harder for shuttle traders to cross the international boundary. Typically these traders purchase goods in Kharkiv or Sumy and sell them in Kursk.

The situation is even worse for industrial enterprises working with Ukrainian enterprises. For example, the Kursk factory Agromash, which makes fuel systems for the Kharkiv tractor

factory is having trouble delivering its output and receiving payment for it. There is a similar situation at the Kursk confectionery factory, which was recently acquired by the Ukrainian firm Kiev-Konti. For more than a week, the plant has not been able to receive goods from Ukraine. Overall, the private sector is suffering the most from the Ukrainian crisis, especially the enterprises with joint capital and trade. - Sergei Sarychev in Kursk

## **NORTH CAUCASUS**

**KARACHAEVO-CHERKESIYA LAW ENFORCEMENT OFFICIALS FIRED.** The federal authorities fired the police chief of Karachaevo-Cherkesiya and the police chief of the capital of Cherkessk, and the republic's procurator has resigned following the murder of seven young men at the dacha of the republican president's son-in-law and the subsequent demonstrations in which protesters temporarily occupied the government building and the president's office.

The protesters had demanded the firing of these officials. At the time of the protests, Presidential Envoy to the Southern Federal District Dmitrii Kozak said that no such personnel decisions would be made under pressure from the street. The authorities also repeatedly claimed that the demonstrations were not a result of the murders, but the efforts of unidentified anonymous forces seeking to destabilize the situation. There had also been announcements that Chechen fighters had arrived in the republic. Nevertheless, Kozak announced the firings at a session of republican parliament on 25 November.

Kozak also announced that investigations of the murders did not turn up any evidence directly or indirectly linking the republican president to the crime. - Oleg Tsvetkov in Maikop

## **BUSINESS AND POLITICS**

**LIKE YUKOS, ROSTOV BUSINESSMAN ARREST ORDERED.** A Rostov-na-Donu court has ordered the arrest of Sergei Bidash, the former general director of the TAGMET and the Red Boilermaker factories who is in opposition to the oblast authorities. Bidash is accused of fraud and embezzling 234 million rubles from the Red Boilermaker factory and exceeding his authority at both factories.

There are clear political colorings to the case. Rostov governor Vladimir Chub and his deputies have not forgiven Bidash for opposing their plans and defending his own interests. Bidash worked to block the administration's efforts to help the Alfa group take over the TAGMET and Red Boilermaker factories. Bidash also actively campaigned against the governor's candidates in the elections to the regional legislature, the State Duma, and the Taganrog mayoral elections. Bidash had to be eliminated from the political scene so that no other businessmen in the region would think about opposing the governor.

Chub's approach to Bidash is identical to President Putin's campaign against Mikhail Khodorkovsky. Bidash now faces a possible prison term of 10 years and a hefty fine. The presidential envoy does not plan to intervene in the case and the court, which is under the control of the oblast administration, will likely adopt the appropriate decision, following the example set by the infamous Basmanii court, which is hearing the Khodorkovskii case in Moscow. - Aleksandr Krasnov in Rostov-na-Donu

## **LOCAL GOVERNMENT**

**TVER MAYOR, GOVERNOR BATTLE OVER BUDGET.** In early November, the conflict between Tver Governor Dmitrii Zelenin and Mayor Oleg Lebedev over the oblast and city budgets reached a new level of intensity. The city of Tver has long complained that the oblast does not provide enough money for it to meet its needs. The mayor has publicly claimed that the city does not have enough money to pay for musical and sports schools, pre-school centers, and

various medical facilities, which now are threatened with the need to switch over to full self-financing, a strong threat to their very existence.

Governor Zelenin described the mayor's charges as an effort to exert "political pressure on the oblast" (*Veche Tveri*, 5-11 November). The governor said that Tver will have a budget in 2005 that is 35 percent larger than its 2004 budget. Additionally, he said that the oblast will take over considerable responsibilities from the city.

The governor said that the disagreements between the oblast and the city should only be aired out of public view, arguing that excessive commotion over these issues does not benefit anyone.

The governor does not rule out the possibility of coming to agreement with the city authorities. However, the local press suggests that a more likely scenario would be easing the mayor out of a job by administratively merging the city with Tver Raion, creating a new entity. - Boris Goubman in Tver

## **CRIME AND PROPERTY**

**ATTACKS ON SAMARA POLITICIANS CONTINUE.** Public officials continue to be the targets of assassins in Samara Oblast. At the heart of the conflict is the right to control municipal property.

On the night of 2 November, assailants inflicted severe knife wounds on Samara City Duma member Aleksandr Shatokhin, well known for his criticism of the policies of Samara Mayor Georgii Limanskii, sending him to the hospital for at least two months. The attack was apparently an attempted contract killing. The Russian general procurator has taken charge of the investigation.

Now all the members of the council are concerned about their personal safety. At the end of November, the deputies were considering hiring independent security services.

According to deputy Mikhail Matveev, the body is examining who should control municipal property. Several deputies have complained that they have come under pressure from unidentified individuals as a result of this process.

Deputy Anna Demina suggested that the police should be the ones to guarantee the deputies' safety. However, the deputies' low faith in the police's ability to provide protection has led them to look into protecting themselves.

In another case, on 28 October, the authorities opened a criminal case dealing with a potential attack on Togliatti Vice Mayor Nikolai Rents. Informers told the police a week in advance the identity of individuals who allegedly had ordered, and were preparing to carry out, the murder of the vice mayor. As a result of their investigation, the procurators arrested the head of the municipal enterprise Architecture and Construction Viktor Veretennikov and the director of a construction firm Yevgenii Novozhilov. The alleged motivation for the planned murder was the distribution of land for construction sites in the city.

On 7 July, the chief architect of Togliatti Valerii Lopatin was murdered, also in a dispute over land rights. Currently Vice Mayor Rents is accompanied by bodyguards in all public places. - Sergei Khazov in Samara

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**SMUGGLING**

**CUSTOMS OFFICERS ON UKRAINIAN BORDER ARRESTED.** Cracking one of the biggest smuggling cases of the year, authorities arrested the head of the Rylsk Customs Office Aleksandr Polyakov and his deputy Vasili Smorodskii on 27 November (*Drug dlya druga*, 7 December). The post is in Kursk Oblast on the border with Ukraine. The Kursk Oblast procurator has sought to interview the head of the Kursk Oblast customs agency, Konstantin Odinkov, but he is currently in the hospital ([prokuror.kursknet.ru](http://prokuror.kursknet.ru)).

At the beginning of 2004, employees of the Ministry of Internal Affairs Central Federal District office began to receive information that several large Moscow companies were discussing a new way to import unlimited quantities of consumer electronics and clothing into Russia without paying customs fees ([www.vremya.ru](http://www.vremya.ru)). Following up on this information, the police began to look for the hole in Russia's border and quickly concentrated on Rylsk.

The post is located in the village of Krupets, five kilometers from the Ukrainian border. A group of investigators visited the site on 6 March. However, it turned out to be impossible to approach the post's temporary warehouses without being noticed by the employees. There is only one road to the post and all the men of the village work at there.

When the team arrived, trucks stopped coming to the post. The investigators then pretended that they were leaving and hid on an abandoned farm nearby. One of the team then began filming the post.

Having decided that the danger had passed, the employees of the customs storage area returned to work. A truck approached and they removed the goods to two cars. The police then burst onto the scene, working in alliance with fighters from the Special Rapid Response Force (COBR). They found clothes worth \$350,000 in the cars. However the customs documents claimed that they were screws, bolts, and screwdrivers. The documents already had all the necessary stamps. As soon as the police moved toward the warehouse, 10 armed fighters from the Kursk customs agency appeared. They were soon joined by 30 security officers with rifles. Luckily, neither side began shooting and after a four hour standoff, the police were able to inspect the warehouses. The police found dozens of counterfeit stamps from the border service and non-existent firms. They also found numerous false manifests.

After nine months of investigations, the oblast procurator was able to figure out how the system worked. After showing the Ukrainian border guards the actual documents for exporting consumer electronics and clothing, truck drivers crossed the border and headed straight for the Rylsk post. There they received a packet of falsified customs documents and went on to deliver the goods to their ultimate buyer. The buyer filled out forms that claimed that they had not imported the goods, but had bought them from non-existent firms on the domestic market. Thus, the final buyer did not bear any responsibility for customs fees.

According to the results of the investigation, the customs officials allegedly not only closed their eyes to the contraband, but actively participated in the process for significant kickbacks. Between December 2003 and March 2004, about 300 trucks went through the post with electronics and clothing worth \$100 million. The state lost between \$3 million and \$6 million in customs duties during that time. One can only guess how much money the corrupt officials received.

Participants in the process claimed that someone named Albert Elishakov suggested to them that they import their goods through the Rylsk post. One source said that in the Kursk customs agency he represented the interests of the Broker-Kursk firm, others say he was among the employees of the Van-trans transportation company. Both of these positions apparently were just covers. Among circles close to the customs agency Elishakov and his partner Asad Mekhdiiev were known as people who could solve any problem connected with the illegal transportation of goods across the border. At the beginning of November, the police issued an international search warrant for Elishakov. Now the courts will have to sort out the matter. - Sergei Sarychev in Kursk

## **RELIGIOUS AFFAIRS**

### **HARI KRISHNA FOLLOWERS FIGHT BACK AGAINST SARATOV**

**ORTHODOX CHURCH.** For the first time, the campaign to suppress religions competing with the Russian Orthodox Church organized by Bishop Loginov, the head of the Saratov branch of the church, is meeting organized resistance. The Saratov Hari Krishna organization, considered one of the largest in Russia, has appealed for help from the region's law enforcement agencies. At the beginning of December, the organization

sent a request to the procurator asking that he file charges against the Orthodox Church for insulting the religious feelings of local citizens.

The Saratov Hari Krishna organization filed the protest as a response to the events of 4 September. On that day, the Hari Krishna followers organized a "Spiritual Rebirth of the Planet" action in memory of the victims of the Beslan school siege tragedy. However, representatives of the Aleksandr Nevsky Patriotic Society also showed up at the site on the bank of the Volga river, working in open cooperation with Orthodox church. They made a circle around the Hari Krishna who had gathered and scared any by-passers from getting close, holding up posters with the inscription "Careful, Totalitarian Sect!" They also handed out flyers with information that the Hari Krishna supporters deemed discriminatory. As a result of the Patriotic Society's action, the Hari Krishna demonstration was disbanded.

The Krishna supporters pointed out that they had won approval from the mayor for their demonstration in advance, whereas the Orthodox group had not done so. The members of the police force who were present and who theoretically should have defended the Hari Krishna organizers refused to intervene and then left the scene completely.

Representatives of the Saratov Orthodox church categorically deny the accusations the Hari Krishna organization filed against them. According to Dmitrii Polokhov, the head of the Aleksandr Nevskii society, the protest was directed against the international Hari Krishna movement, not against concrete individuals. The procurator has yet to respond to the case.

The representatives of the Saratov Hari Krishna organization did not explain why they decided to wait three months before filing a protest. They have little hope that the local authorities or law enforcement agencies will support them. According to their leader Oleg Gadetskii, the group has taken additional measures. It has also appealed to Russian Human Rights Ombudsman Vladimir Lukin and Lord Atkinson who is responsible for religious issues at the Council of Europe. In those complaints, the Hari Krishna representatives charged that the church's actions reduce tolerance and increase religious conflict in Saratov. - Ilya Malyakin in Saratov

## **REGIONAL ELECTIONS**

**PSKOV VOTERS REMOVE MIKHAILOV.** Incumbent Pskov Governor Yevgenii Mikhailov lost his bid for a third term in run-off elections on 12 December even though he had the backing of the pro-Kremlin United Russia party. Local businessman Mikhail Kuznetsov, a long-time rival and former State Duma member, won. Kuznetsov had the backing of the Union of Right Forces.

Kremlin support for Mikhailov was extremely tepid. The United Russia party only decided to support him on 9 September, much later than Mikhailov expected. Most local observers thought that the Kremlin was strongly signaling Mikhailov that it thought two terms was enough.

Mikhailov had been elected in 1996 in the second round as a candidate from Vladimir Zhirinovskiy's Liberal Democratic Party of Russia. Until he left that party, he was the only governor in Russia to represent it. In 2000, Mikhailov changed the electoral

rules so that the person who received the most votes in the first round would become governor. Mikhailov won that election with just 28 percent of the votes.

By 2004, the oblast again returned to two-round elections. Mikhailov led his rival in the first round, taking approximately 30 percent to Kuznetsov's 18 percent. More than 17 percent voted against all. One of Mikhailov's key opponents, Pskov Mayor Mikhail Khoronen, was disqualified before the first round because he gave his first press conference as a candidate from his mayor's office, unfairly using administrative resources. - With reporting from Andrei Shcherkin in Pskov

## **LAW ENFORCEMENT**

**KREMLIN SENDS NEW PROSECUTOR TO CHELYABINSK.** At the end of November, the Russian prosecutor general appointed the tough former Kamchatka prosecutor Aleksandr Voitovich as the new Chelyabinsk Oblast prosecutor. In Kamchatka, Voitovich filed charges against the governor for misusing nearly \$5 million in state funds and illegally handing out fishing quotas. He also filed charges against the mayor of Petropavlovsk-Kamchatka for negligence.

The previous Chelyabinsk prosecutor, Anatolii Bragin, a close ally of Governor Petr Sumin, was forced out in July 2004 on the grounds that he had done a poor job monitoring the law enforcement agencies in the region. According to official statistics, crime rose 20 percent during the first nine months of 2004.

Voitovich will apparently have a lot to do when he arrives in Chelyabinsk. Over the past year, the region has witnessed several corruption cases. On 25 May, Governor Sumin placed on administrative leave Deputy Governor for industrial policy and state property Viktor Timashov. Prosecutors claim that Timashov required the South Ural Mining Company to give him a percentage of the money the firm received from the state budget. A police search of Timashov's apartment produced a sum of 4 million euros. Timashov claimed that he earned the money before he entered public office when he was the head of the local electricity utility, Chelyabenergo.

Additionally, on 12 October Chelyabinsk Judge Sergei Gorbulin sentenced Miass Mayor Vladimir Grigoriadi to eight years in jail, an unusually long term for such a high-placed official. Grigoriadi demanded one million rubles from a businessman for the rights to land for construction and approving the documents necessary to open a new store in the city. Grigoriadi and the other three members of his family all had foreign cars and he had built a large dacha.

Grigoriadi had poor relations with the business community in his city because he allegedly supported his own interests at the cost of others. According to one interpretation, a key businessman paying regular bribes to Grigoriadi got tired of handing over his money and turned him into authorities, who likewise were astonished at the extent of his graft. Another interpretation is that a new crime group with connections to another group of public officials decided to take control of the money flows Grigoriadi was benefiting from. They got rid of Grigoriadi by having him arrested. - Robert Ortung

## **CIVIL SOCIETY**

### **MIASS CORRUPTION LEADS TO THE CREATION OF ANTI-GRAFT NGO.**

Following Grigoriadi's conviction, Miass businessman Vyacheslav Otkin set up a non-profit organization for the specific purpose of fighting corruption in the city. The group is named "Committee to Combat Corruption, Legal and Social Aid to the Population."

The new group seeks to dismantle the system set up by Grigoriadi, which still complicates life in the city for local businessmen even though the former mayor is now sitting in jail. According to group president Sergei Likhachev, officials such as the city's police chief and others continue to work in the old way and the local media is still under their control (*Chelyabinsk rabochii*, 8 December). Many citizens have also complained how court officers implement, or do not implement, court decisions.

Likhachev says he hopes to build a civil society and free media. This group is relatively rare among Russian NGOs because it has set itself the specific purpose of changing the overall system of corruption in Russia. Most groups focus instead on helping various businessmen get the best deal within the existing system, without setting the task of overhauling that system.

Miass procurator Dmitrii Khinoverov said that he welcomed the appearance of the new group and that he would cooperate with its experts. However, he warned that it was important that the group not turn from defending the rights of citizens to fighting the law enforcement agencies themselves. - Robert Orttung

### **CHELYABINSK BUSINESSMAN SETS UP GROUP WITH APPARENT TIES**

**TO FSB.** About a year ago, Chelyabinsk businessman Vladimir Bodrov set up the Ural Federation to Support Business, which has the Russian acronym UFSB, suggesting that the group has close ties to the Federal Security Service, whose acronym is FSB. People in the region started to take the group seriously when it became known that Chief Federal Inspector Valerii Tretyakov, the former head of the oblast's FSB, attended the opening congress (*Vechernii Chelyabinsk*, 18 November).

Bodrov had trouble doing business in the oblast in 1997, when he came into conflict with the governor's administration and, in particular, Deputy Governor Vladimir Utkin, who allegedly thought that Bodrov was trying to act too independently. Bodrov claimed that Utkin used the administration for combating organized crime and the tax police to harass him.

The greatest problem for small business now in the oblast is to get land. Such permits are now decided through personal ties. While Bodrov says that there are many opportunities to engage in business in the region without paying bribes, he claims that such payments are necessary if you want to work in the area of city infrastructure.

He claims that the UFSB is one of the few business associations that tries to bring all business people together in order to solve common problems. - Robert Orttung

## **DRUG TRAFFICKING**

### **GROUPS BECOMING MORE ORGANIZED, ETHNICALLY INTEGRATED.**

Chelyabinsk Governor Petr Sumin claimed in the middle of September that "The 800-km border between Kazakhstan and Chelyabinsk Oblast is open and practically unmonitored." Approximately 500,000 people cross the Chelyabinsk-Kazakhstan border in both directions each year. On the entire 6,500 km of the Russia-Kazakhstan border,

there are 47 posts, with the distances between them sometimes more than 200 km. The authorities currently catch no more than 10 percent of the drugs coming across the border, according to official estimates.

Corruption among the various agencies working on the border is extensive and facilitates the trade. According to a high-placed employee in the Main Administration of Internal Affairs of Chelyabinsk Oblast "The law enforcement agencies could have long ago suffocated the drug mafia if there was state will to do so. We have everything to do this. But drugs bring in gigantic amounts of money. And this money has long been 'circulating' in the economy of our country." (*Chelyabinskii Rabochii*, March 2, 2000)

Agencies working on the border include: the Federal Security Service and its Border Guard subdivision, customs, the state committee for combating the drug trade, Ministry of Internal Affairs, and others. Despite the presumably large flows of drugs, there are very few arrests. The people arrested generally are low-level couriers rather than the key organizers of the trade.

Drug traders can support terrorist groups if the policy of the authorities presents a serious threat to their interests, according to Volgograd State University Sergei Golunov and colleagues, who recently completed research on drug flows across the Russian-Kazakh border

(<http://www.american.edu/traccc/publications/Final%20Paper%20Golunov.doc>).

Additionally, terrorist groups can set up their own drug rings as a way of making money.

The potential for drug smuggling along the Russian-Kazakh border is huge. This border is crossed by 16 railroad links, 200 automobile roads (of which, 6 are major highways, 36 are covered with asphalt, 33 are gravel, and the rest become impassible in bad weather). Chelyabinsk has numerous railroad connections.

Currently, drugs flow from Kazakhstan through Chelyabinsk to Sverdlovsk, Khanty-Mansii, Yamal-Nenets, the Volga, central Russian regions, Moscow, St. Petersburg, and on to Europe.

Chelyabinsk had the most drug-smuggling related arrests along the Russian-Kazakh border during 2000-2003. However, in 2004 regions farther east started to get more traffic, while Chelyabinsk still remained busy. Drugs have started to flow more heavily to the oil regions in Tyumen Oblast, Siberia, and the Far East, in addition to the Urals.

There are numerous ways to bring drugs over the Russian-Kazakh border, but the trend is for the groups to be more organized and larger over time. These groups are often based on familial and ethnic ties. Tajik groups are cited most frequently as concentrating on the drug trade. The larger groups try to control transportation as well as sales. Increasingly the groups are specialized, carrying only heroin, for example. So far, however, there are no cartel-monopolists with hierarchical organizations that try to control all the economic operations. There are no analogs to the Columbian Medellin cartels in Russia or Central Asia.

Even though Tajiks have traditionally dominated the drug trade, the work of sociologist Emil Pain shows that ethnic Russians are starting to play a larger role. The drug rings use ethnic Russians to get the drugs across the border because the Russians arouse less suspicion among the border guards than Tajiks do. Pain argues that the popularity of using ethnic Russians and sending large shipments by train and in trucks with large containers means that there will be fewer Tajik transporters in the future.

For an in-depth discussion of these issues, see Sergei Golunov, et al., "The Drug Trade as a Security Challenge on the Russian-Kazakh Border," (in Russian) at <http://www.american.edu/tracc/publications/Final%20Paper%20Golunov.doc>

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**FEDERAL REFORMS**

**KOMI POLITICS MOVE FROM OPEN TO CLOSED.** President Vladimir Putin's 11 December signature on the law allowing him to appoint governors, with the approval of the regional legislatures, has had a major impact on the way politics works in the northwest republic of Komi.

For the last three years, Komi political life has been characterized by an intense battle between two political groups. They both consist of politicians from the old wave and have been among the republic's political elite since the Soviet era. However, now one represents the authorities and one is in the opposition. The authorities have close ties to powerful corporations, including MDM and Renova, while the business ties of the opposition are less visible.

The next gubernatorial elections had been set for December 2005 and Governor Vladimir Torlopov and his main opponent, United Russia Komi leader Anatolii Karakchiev, had long since begun their campaigns. According to recent polls, it was clear that the incumbent was extremely unpopular, even among ethnic Komi living in rural regions who would be among his most likely supporters.

However, if open confrontation was typical of republican politics before the fall, once Putin announced his plan to appoint governors, the situation radically changed. The political system began to lose its dynamism, close in on itself, and the competitive political battle transformed into a contest of hidden political intrigue.

At the end of November, Governor Torlopov joined the United Russia political party, meaning that now both of the competing political groups in the republic are members of the same political party. In his 2001 electoral campaign Topolov had the support of the Union of Right Forces and Yabloko. Until recently, he pointedly ignored

United Russia. Now, he has changed positions and found it useful to join the "party of power."

The new way of selecting governors dictates new tactics to regional politicians. First, they must strengthen their influence in the regional parliament. Second, they have to increase their work with federal agencies and groups that affect decisions in the Kremlin. Third, it is important that they demonstrate their strength in the region.

Seeking majority support in a parliament is normal for any democracy. What differs in Komi is the methods the governor uses to achieve such support.

About half the members of the current republican legislature are "industrial generals" whose business depends on good relations with the regional authorities. Torpolov uses this dependence to ensure that the deputies vote his way on key issues. The local liberal press has described in great detail how this process works.

The governor is seeking other means of influence as well. The legislators, most of whom only serve part time, have long debated how to provide themselves with assistants who will help them handle their duties. They have suggested paying these assistants out of the state budget. However, the governor has opposed such a plan and seeks to give the legislators money from an off-budget fund. This plan would make the legislators directly dependent on the governor for such funding and presumably more inclined to support his positions.

The current speaker of the republican legislature is Ivan Kulakov, a figure who takes a relatively independent stand in Komi politics. However, at the beginning of December, he suffered a heart attack. Although his health is not in serious jeopardy, the governor is using his convalescence as an excuse to find a new speaker. If he is successful, such a move could seriously weaken the independent position of the legislature.

To increase his influence in the Kremlin, the governor has begun to visit Moscow more frequently. He also recalled his representative to the Federation Council Aleksei Grishin. In Grishin's place, he appointed Igor Vasilev, a representative of the power ministries from St. Petersburg, like Putin. Until his appointment to the upper chamber, Vasilev had coordinated the investment activities of the United Russia party (*Moskovskii komsomolets v Komi*, 15-22 December). The replacement did not go as smoothly as the governor might have hoped. In voicing his unhappiness about losing his job in the Federation Council, Grishin complained that the authorities had set his daughter's car on fire to ensure that he stepped down (*Argumenty i fakty Komi*, December 2004, no. 50). Naturally, in trying to curry favor in Moscow, Torlopov is no longer interested in developing plans that would improve the situation in the region.

The level of political life in Komi has plunged dramatically since Putin announced his reform because the public sphere of politics no longer plays a substantial role and the old elite is not interested in working with the population. The elite is much more inclined to turn the republic's political life into a process that is closed off from social oversight. - Yurii Shabaev in Syktyvkar

## REGIONAL ELECTIONS

**KAMCHATKA: UNITED RUSSIA TAKES ON "RED GOVERNOR."** Since President Vladimir Putin signed a new law giving him the right to appoint governors,

Kamchatka is one of the last regions where voters will have the right to elect their governor directly. But, this is not the sole reason why this election draws attention. What makes this election interesting is that it is a battleground between the local branch of the pro-Kremlin "United Russia" party and one of the remaining Communist governors.

Because Kamchatka produces 20 percent of Russia's fish, the gubernatorial seat comes with extensive rent-seeking opportunities. Not surprisingly, fifteen candidates (an enormous number even by Russian standards) competed in the first round on 5 December. The rivals were diverse, including the incumbent governor, one of the region's two senators, two local parliament members, one former Duma member, five entrepreneurs, a banker, an unemployed person, a pensioner, a journalist, and the director of the local FSB branch.

The prosperity of Kamchatka's fisheries also attracted a powerful outsider - Oleg Kozhemyaka. Kozhemyaka is a former Federation Council member representing Primorskiy Krai and an informal representative of former Primorskiy governor Yevgenii Nazdratenko. Earlier this year, Kozhemyaka fought fiercely to prevent Vladimir Nikolaev from winning the mayoral elections in Vladivostok, but failed. Kozhemyaka is now the owner of a large fishing company, which has been banned from fishing in Kamchatka waters due to flagrant violations of fishing norms.

The campaign was intense: the regional prosecutor requested that he be transferred to another city; the Union of Fishermen and Entrepreneurs refused to support any candidates and urged the president to appoint a governor; and, the head of the Russian Electoral Commission traveled to Kamchatka during the first round and charged that the candidates' declared campaign expenditures did not correspond with the amount of money they were actually spending.

The two top finishers on 5 December were incumbent governor Mikhail Mashkovtsev (38.08% of the votes) and Ust-Kamchatka mayor Boris Nevzorov (23.83%). Kozhemyaka received only 14.4%, with 52 percent participation. The winner will be elected by a simple majority on 19 December with only one reservation: he has to receive more votes than votes "against all".

On 9 September, Mashkovtsev survived a major car crash when a drunk driver crashed into the cortege of Defense Council Secretary Vladimir Rushailo, during his visit to Kamchatka. Five people were killed and nine, including Rushailo and Mashkovtsev, were badly injured. Since May, Mashkovtsev has been facing criminal charges for illegally using \$5 million in public funds and improperly distributing fishing quotas. The governor denies the charges, claiming that the money went to address the heating crisis in the city of Elizovo during the fall of 2003. Mashkovtsev claims that former Prime Minister Mikhail Kasyanov can support his claims. The governor points out that the case "fell apart" after he demanded that Kasyanov testify as a witness in court. Indeed, since May the case has been on a backburner. It, however, reemerged on 27 November when police forcefully brought Mashkovtsev to the prosecutor's office. This incident led Mashkovtsev to complain that the actions of the police were aimed at derailing his campaign.

Mashkovtsev has long sought to oust Petropavlovsk-Kamchatskiy mayor Yurii Golenishev from his post. Their protracted struggle over control of the region's budget has not yet been resolved. Petropavlovsk-Kamchatskiy is the most heavily subsidized city on the planet in term of subsidies per capita since its heating systems rely mostly on coal

shipped in from thousands of miles away. Golenishev sought to overhaul the municipal services system, dramatically raising prices for residents, and Mashkovtsev used these policies to channel public outrage against the mayor. The governor also benefited from the fact that the procurator had filed criminal charges against the mayor (also for misusing public funds). Interestingly, the mayoral elections took place on the same day as the gubernatorial elections. Vice-governor Vladislav Skvortsov (an ally of Mashkovtsev) received 41 percent of the votes, followed by first deputy mayor Anatolii Shaleev, with 20.5 percent. The two will compete again on 19 December.

Viewing the gubernatorial race as a battle between Communists and United Russia is not entirely accurate. In fact, there is a large rift within the local United Russia. The Kamchatka branch of the party had nominated Alexander Dudnikov as its candidate. Nevzorov, who is also a member of this party rebelled against the decision, and joined the race as well. Now that Dudnikov is out of the game, United Russia may decide to reassess Nevzorov's candidacy. However, Dudnikov and his proponents in United Russia represent very different interests than those of Nevzorov.

Meanwhile, Mashkovtsev claims that he will secure victory as long as he remains healthy, as seem likely, and Putin does not oppose him. He has argued that the "Kremlin is not homogenous," "I will not try to appease diverse opinions" and "no governor can be successful if president does not want him to lead his region." Of course, President Putin is unlikely to intervene personally into the race. Besides, Mashkovtsev has been very careful not to give the president a reason to dislike him. Hence, the Kremlin refrains from taking sides.

Nevertheless, the Kremlin has maintained its right to have the last word. Electoral Commission head Veshnyakov noted after the first round that if his agency discovers any major violations in campaign expenditures, the results of the first round will be annulled. Such violations can always be found if needed. - Slava Shirokov in Vladivostok

**KUZNETSOV BECOMES PSKOV GOVERNOR.** As reported in the previous edition of the Russian Regional Report, former Duma member Mikahil Kuznetsov won the 5 December Pskov gubernatorial elections. He had the backing of the local Communists, Yabloko, numerous trade union organizations, and the influential former speaker of the regional legislature Yurii Smatov. Former candidates, generals Nikolai Staskov and Aleksandr Soluyanov called on their voters to support him. Accordingly, Kuznetsov effectively stood at the center of an oppositional coalition made up of a wide variety of different groups. He managed to unite members of the regional elite unhappy with the governor, political parties opposed to the Kremlin, and most importantly, voters who were dissatisfied with the actions of the authorities.

After his victory, Kuznetsov acknowledged that he had ridden a wave of protest into office. "I admit that many voted against the incumbent and view our victory as an advance," he said.

Even though United Russia had backed his opponent, Kuznetsov had to immediately make concessions to that party. He said, "we will cooperate with all parties, including, first of all, United Russia, which is effectively the ruling party."

Opposition parties greeted the results enthusiastically. "The second round [in which Kuznetsov was victorious] demonstrated that democratic institutions in Russia are alive and functioning. This is particularly important against the background of the federal

reforms, whose very essence violates citizens' rights," local Yabloko leader Lev Shlosberg said.

Among his first steps, Kuznetsov plans to reduce the size of the staff working in the oblast administration and replace many of its members. He also hopes to establish good working relations with the federal authorities.

Initially, Kuznetsov will devote his attention to building good relations with the regional legislature. Under Mikhailov, it had become a largely decorative institution. However, since it now must confirm Putin's choice as governor, its power will likely increase. - Andrei Shcherkin in Pskov

## **BUSINESS ASSOCIATIONS IN PETERSBURG**

**LITTLE EFFORT TO FIGHT CORRUPTION.** The St. Petersburg Center for Independent Sociological Research recently finished an analysis of business associations in St. Petersburg, particularly examining their ability to fight corruption in the city. The project had the support of American University, with sponsorship of the US Department of Justice. The Petersburg research led to a number of conclusions:

1. In their relations with the authorities, business people would prefer to use informal or semiformal means of solving conflicts instead of "civilized" "western" methods of interacting with the authorities through various formal institutions, such as lobbying their interests. The research showed clearly that, in recent years, the rapidly growing institution of informal and semi-formal bureaucratic intermediaries makes it possible to solve problems between business and the authorities circumventing the institutions of civil society.

The role of informal intermediaries in Russia is principally different than the role of such institutions in developed capitalist economies since in Russia intermediaries are based on informal access to various bureaucratic structures. We suggest that now such informal bureaucratic intermediation is going through a process of institutionalization, which means that it is becoming a widely accepted practice and an autonomous, and highly profitable, type of business activity. The process of institutionalization is accompanied by the formalization of bureaucratic intermediation, meaning that now it is carried out by legal firms, which have the necessary licenses for providing various types of services.

2. Several types of business associations have been created in recent years. Their goal is to support and defend their members, represent their interests, develop and support professional standards, and facilitate professional networking and exchange. These associations help integrate the business community, form new institutions, and establish ethical norms and rules. However, despite the significant number of business associations appearing recently, only a very few of them actually serve as facilitators in the dialogue between the authorities and business. The business associations mainly serve in formalizing and institutionalizing horizontal informal ties, such as networking among businesspeople, creating greater trust, and providing various consulting exercises (such as how to deal with arcane accounting issues).

Although building the horizontal ties is important, the associations generally do not develop relations with the authorities. Businesses mainly pursue a strategy of distancing themselves from the authorities or becoming so-called "pocket enterprises" which exist for the purpose of distributing public funds. The main activity of the business organizations is aimed not at transforming a poor business environment by participating in a dialogue with the authorities, but in helping business people in adapting to a changing situation and business rules, which are dictated by the state.

3. The main source of funding for non-governmental organizations (NGO) in their battle against corruption comes from the west. This source of income in no way reduces the sincerity of the people working in these NGOs in an effort to eradicate this social evil. This fact only confirms the point that the battle with corruption is not an initiative from below, since for business people and ordinary citizens corruption is often the only way to effectively solve various problems connected with bureaucratic structures.

The weak cooperation between the NGOs and business associations remains because business does not see the NGOs as strong partners that are able to influence the authorities or lobby business interests. Business is ready to cooperate with such civil society actors only if this cooperation brings some kind of benefit. In other words, as long as the NGOs remain weak, business is not interested in cooperating with them.

4. Today the state is the only powerful agent among the anticorruption players. The main distinguishing feature of the anticorruption scene in Russia is the lack of an institutional mechanism allowing various civil society organizations to influence the state, including efforts to strengthen the battle against corruption. Accordingly, it is almost impossible to do anything without state support. Unfortunately, the absence of this mechanism is characteristic of relations between the state and civil society in general.

Looking at the microlevel, the role of the state in relations with business is paradoxical. The state remains the dominant, and practically only, institute of power, but it is practically absent at the microlevel. Here its power is dispersed among bureaucrats who mainly pursue their own interests, rather than those of the state. This situation is yet another reason why expectations of the rise of a civil society that can be an equal in dialogue with the state -- in which a strong state works with a civil society which opposes it with legitimate force -- does not correspond with reality. Instead, we are witnessing the development of a "horizontal" civil society, one that accepts the existing rules rather than changing them on the basis of a social agreement with the state.

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## **American University and the Transnational Crime and Corruption Center**

In a letter to Virginia Governor Robert Brooke, George Washington explained his idea for a great "national university" to be established in the nation's capital city. Washington did not see this university in his lifetime, but approximately one hundred years later, in 1893, Washington's dream was realized when American University (AU) was chartered by an Act of the United States Congress. Through the vision of Methodist Bishop John Fletcher Hurst, the idea of a national university, an idea born with the nation itself, came into being. Today AU is an independent university with more than 11,000 students from all 50 states and nearly 150 foreign countries enrolled in undergraduate, master's, doctoral, and professional degree programs.

The Transnational Crime and Corruption Center (TraCCC) is the first center in the United States devoted to teaching, research, training, and policy advice in transnational crime, corruption and terrorism. Originally founded in 1995 with seed money from the MacArthur Foundation and funded by the United States Government and private foundations, TraCCC's basic goal is to better understand the causes and scope of transnational crime and corruption and to propose well-grounded policy. Much of our work to date has focused on the analysis of transnational crime and corruption in the countries of the former Soviet Union. In achieving our goals, we work with the public, media, law enforcement, policymaking, legislative, judicial, academic and business communities. To undertake this kind of collaborative work, we have partnered with the best scholars and practitioners in Russia, Ukraine and Georgia through multidisciplinary research centers.

## **The Federal Institute of Technology (ETH) Zurich and the Center for Security Studies**

The Federal Institute of Technology Zurich (ETH, according to its German acronym) was founded by the Swiss government in 1854 as a polytechnic and opened its doors in Zurich in 1855. Until 1969 it was the only national university in Switzerland. Today it is part of the ETH domain, which is made up of the two universities in Zurich and Lausanne (the EPFL) and four national research institutes. The ETH itself comprises 83 institutes and laboratories, 330 professorships, and about 840 lecturers who fulfill teaching obligations and conduct research. A staff of more than 7,500 - 25 percent of whom are women - work in teaching, research and administration. The ETH currently has 11,700 registered students.

The Center for Security Studies specializes in the field of national and international security studies. Activities include research, teaching, and information services. Since its founding in 1986, the center has developed two electronic information services - the International Relations and Security Network (ISN) and the Information Management System for Mine Action (IMSMA). Due to the steady growth in research activities and the increasing number of tasks and functions it undertakes, the center now has a staff of about 75 people working in research and teaching. It is part of an international network of scientific institutions and organizations and cooperates with numerous partners. The

center's expertise has made it an important resource for public administrators and the media, and the center functions as a political consultant to the Swiss Federal Government.

### **COMMENTS AND QUESTIONS**

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**EXTREMIST ISLAM**

**BASHKORTOSTAN ARRESTS MEMBERS OF OUTLAWED PARTY.** The ideas of an Islamist Jihad and creating an international caliphate have won many supporters in numerous countries. After the tragedy in Beslan, several Russian politicians and Islam experts warned that terrorist activities and the geographic extent of such acts in Russia would inevitably expand. According to Deputy Chairman of the State Duma Committee on International Affairs Zelimkhan Mutsoev, within Tatarstan and Bashkortostan, the regions with the largest Islamic population in Russia, there already exists an illegal, conspiratorial network of Wahhabi organizations. Mutsoev claims that this underground network will soon move into action, including the preparation and execution of terrorist acts (<http://www.uralpolit.ru/sverd/?art=9640>). Ramzan Kadyrov, the deputy prime minister of Chechnya and the son of its recently assassinated president who was just appointed by President Putin as an advisor to Presidential Envoy in Southern Russia Dmitrii Kozak, agrees that there is a major threat in Tatarstan and Bashkortostan. Kadyrov claims that Islamic radicals working in Russia see the Ural/Volga region in the middle of Russia as their most important goal after the North Caucasus (Trud, 23 October).

In contrast, the well known Russian Islam expert Aleksei Malashenko believes that the ideology of radical Islam is largely concentrated in the North Caucasus. The more Europeanized Tatar and Bashkir Muslims, recognizing their specific mission in Russia, pose little threat to the security of the Russian state. However, Malashenko warns that the radicalization of Islam is an objective tendency and therefore terrorist acts could

occur in these territories.

(<http://www.politjournal.ru/index.php?action=Articles&dirid=67&tek=2430&issue=72>).

Georgii Engelgardt of the Russian Institute of Religion and Politics in Moscow, argues that "parallel Islamic" structures make possible the spread of radical ideas. In particular, he points to a developed network of informal Muslim societies, which with the madrassas they control, has become the main vehicle for distributing radical ideas among the local population (<http://www.novopol.ru/material853.html>). In the 1990s, it was in these madrassas, which the authorities ignored, where several young citizens of Tatarstan and Bashkortostan took up the ideas of Wahhabism and then later turned up in Chechnya and Afghanistan, fighting on the side of Islamic fundamentalists.

In Bashkortostan and Tatarstan, the authorities do not admit the existence of breeding grounds for radical Islam on their territories. Tatarstan President Mintimer Shaimiev has argued that the Russian media, by focusing on "hot" topics, continues to baselessly exaggerate the importance of isolated episodes that took place in recent years. He claims that the various attempts to create a base for the spread of radical Islam in the republic were quickly halted. Order has long since been imposed on the Islamic schools. There are no more teachers preaching radical Islam there, he claims. Therefore, attempts to spread these ideas have been squelched (<http://intertat.ru/index.php?id=55639>).

The Bashkortostani authorities say much the same thing, diplomatically pointing to the lack of social and political prerequisites for the spread of radical Islam in their republic. Bashkortostan's leaders view the activities of emissaries of such groups as the Muslim Brotherhood and Jamaat Islamia as isolated incidents that do not lead to anything.

The authorities' desire to avoid responsibility for fighting the spread of radical Islam explains this position. Additionally, they point out that pursuing the adherents of non-traditional forms of Islam could exacerbate interethnic and religious conflict in the region.

The Russian authorities have been extremely worried about the challenge of extremist Islam in recent times. Approximately 20 million Muslims live in the country. The federal authorities see radical Islam as a threat to the unity of Russia, international peace, and social coherence. As President Putin has asserted, terrorists hope to paralyze the will of the Russian state to prevent it from fighting the terrorist threat, frighten the population, and thereby convince the population that it is the authorities that are provoking bloody conflicts on the basis of ethnic and religious differences. Putin charges that these conflicts will break up Russia just as the conflict in Nagorno-Karabakh helped break up the Soviet Union. Additionally, he warns that the terrorists seek to establish religious governments in the areas where Muslim populations are concentrated, effectively withdrawing these regions from Russia. Speaking on Russian television after Beslan, Putin said that terrorism is conducting an undeclared war against the Russian state in which innocent people are being killed. According to the Ministry for Emergency Responses, there were 12 major terrorist acts in Russia in 2002, and 19 in 2003 in which 252 people were killed and 926 were injured. In 2004, the number of civilians who died was much higher.

In these conditions, the law enforcement agencies in Bashkortostan have set fighting the threat of terrorism as a top priority. The police, Federal Security Service (FSB), and procurator have united forces to deliver a preventative blow to radical Islamic

organizations in the region. The authorities seek to isolate the leaders of the extremist groups, bring them to justice, and thereby convince their followers that the state is moving decisively to block the spread of radical ideas.

Thus, on 14 November on the Muslim holiday of Uraza-bairam, which is officially observed in Bashkortostan, the authorities simultaneously arrested 16 individuals in various cities throughout the republic. All are Russian citizens. They are accused of distributing in mosques material publicizing the international Islamic organization Hizb ut-Tahrir (the Party of Islamic Freedom), which advocates the establishment of an international caliphate. In Russia, the activity of this organization has been banned, as it has been in Uzbekistan, Kyrgyzstan, and Kazakhstan.

In the beginning of December, an even larger operation captured 30 alleged supporters of this organization in several locations across Bashkortostan. Searches of the suspects' apartments found literature for Hizb ut-Tahrir as well as military weapons, including hand grenades, homemade explosive devices, and maps showing where large numbers of people gather. The FSB claims that the detained individuals were preparing to carry out terrorist acts. Nine have been accused of being involved in carrying out terrorist-related crimes. The rest are being held as witnesses. The authorities have conducted raids against Hizb ut-Tahrir organizations in Tatarstan and other Ural-Volga regions in coordination with those in Bashkortostan. - Igor Rabinovich in Ufa

## **REGIONAL ELECTIONS**

**ISHAEV REELECTED IN KHABAROVSK.** Viktor Ishaev was reelected as Khabarovsk Krai governor with a landslide victory on 19 December, taking around 85 percent of the vote. The competition was only nominal. Genadii Maltsev, the closest competitor among the other five candidates, received only 4.1 percent, while 5.7 percent voted against all.

Ishaev has ruled Khabarovsk since 1991, when President Yeltsin appointed him governor. In 1996 he became a popularly elected governor, winning 76.93 percent, and secured reelection in 2002 with about 80 percent. Ishaev claimed that he wanted another term so that he could prepare a successor.

Ishaev's supporters point out that his victory should not surprise anyone. During his tenure, the region has developed dynamically. However, critics note that there is virtually no opposition, letting Ishaev and his affiliates dominate the krai's politics and economy. Most observers agreed that the challenge for the governor was not winning, but finding at least a "middle weight" rival to make the election look more legitimate.

Yurii Onoprienko, the speaker of the local parliament and the governor's protege competed in the election. Though Onoprienko claimed that it was a symbolic act on his part to support the current governor and his policies, he probably participated with a more pragmatic intention -- to back up Ishaev in case the federal government threatened Ishaev's candidacy. According to pre-election polls, Onoprienko would have scored a firm second place. However, on the eve of the elections, he withdrew from the race. Another "rival" Mr. Kolenko, the director of a local microsurgery practice and the head of the krai administration's Social-Political Council, organized a public event called "Bridge to the Future" designed to promote Ishaev's candidacy. The only "rival" who actually competed, Maltsev, a member of the krai legislature, has long been in opposition

to the governor. According to rumors circulating in the region, Maltsev financed the construction of a shopping mall, which has never been opened, due in part to the intervention of the governor.

While Ishaev is a top member of the local branch of the pro-Kremlin United Russia party, this party has recently suffered a severe identity crisis. Ishaev ran as an independent in the gubernatorial race. Having led Khabarovsk for 14 years, Ishaev is one of the top regional politicians in Russia and is respected in the Kremlin. The region is twice the size of France, exceptionally abundant in natural resources, and attracts significant federal subsidies. During President Putin's inauguration earlier this year, Ishaev stood in the front row of guests. Ishaev notes that he was the one who suggested the idea of appointing governors to President Putin. The governor recently traveled to Moscow and allegedly returned with *carte blanche* from the federal authorities for his next term.

While Ishaev seems to find common language with Putin, he has had tense relations with lower-level federal officials, especially presidential envoy to the Far East Konstantin Pulikovskii. In an interview with "Kommersant-Vlast," Ishaev noted that the institute of presidential envoys does not solve the problems in relations between the center and the regions. According to the governor, a better solution would be to more clearly define budgetary relations between the federal and regional levels. Ishaev notes that instead of working "we have to spend half of our time offsetting bad decisions." Perhaps as a result of such policies, Pulikovskii is considered to be the weakest among the seven envoys.

In the beginning of 2004, Ishaev clashed with the Ministry of Natural Resources, which had expressed concerns about corruption in the krai's licensing of gold mining activities. Earlier this year, Ishaev also was one of the authors of famous appeal of Far Eastern governors to the president against the government's decision to monetize state benefits rather than provide in-kind services, such as free access to public transportation. This manifesto was one of the few signs of open opposition among the governors to Putin's policies during 2004.

Unlike other elections in Russia, Khabarovsk's proceeded calmly. There were no media scandals, no attacks on candidates, no black PR, no appeals in court or to the electoral commission. Accordingly, Khabarovsk has ended up with its own version of "managed democracy". - Slava Shirokov in Vladivostok

**NENETS LAUNCHES REBELLION AGAINST FEDERAL GOVERNMENT.** The electoral situation has radically changed over the last month in the Nenets Autonomous Okrug, which will elect its governor on 23 January 2005, one of the last gubernatorial elections to be held in Russia (see Russian Regional Report for 30 November 2004). These events reflect strong discontent among local politicians with federal policies. In particular, regions with extensive natural resources have lost most of the income that they controlled from exploiting these resources in the past. Nenets politicians seek to maintain control over the vast hydro-carbon resources in their territory.

Numerous politicians in Arkhangelsk and at the federal level have declared that Nenets should be merged into Arkhangelsk Oblast. Nenets governor Vladimir Butov has strongly opposed this idea. Butov also was one of the few governors to strongly denounce

Putin's plan to appoint governors. Butov's rule over the last eight years has been marred by extensive scandal and he has little influence at the national level.

Like Butov, the regional legislature has strongly opposed the idea of merging Nenets with Arkhangelsk. According to Russian law, Arkhangelsk and Nenets had to sign an agreement defining their relations by the end of 2004. The two sides had made little progress on doing this until Presidential Envoy Ilya Klebanov intervened. After two weeks of negotiations, Arkhangelsk oblast and Nenets okrug signed an agreement on 23 November. Nenets was forced to agree to transfer 500 million rubles of tax income to Arkhangelsk each year. The okrug had hoped to control all of these funds. Arkhangelsk, in contrast, had hoped for a much larger slice of the pie, but was forced to accept this smaller amount.

The Nenets legislature ratified the agreement on 25 November. However, on the same day, it voted to allow Governor Butov to run for a third term in office. Previously, the legislators had been strongly opposed to allowing Butov to run again, but they decided to back him because among all the potential gubernatorial candidates, he was the loudest opponent of absorbing Nenets into Arkhangelsk.

In backing Butov, the legislators were opening challenging the desires of the federal government to replace him. The Nenets procurator challenged the legality of the law, but the regional electoral commission registered Butov as a candidate in the gubernatorial elections. Central Electoral Commission head Aleksandr Veshnyakov declared that Butov did not have the right to run, but local authorities responded that the federal officials should not interfere in regional matters, declaring such issues outside the competency of the federal commission (*Izvestia NAO*, 15 December).

The federal authorities are backing Aleksandr Shmakov, the general director of the Polyarnoe sliyanie oil company, which is part of the state-owned Rosneft company. The pro-Kremlin United Russia party general council backed Shmakov's candidacy, but the local branch of the party refused to support him. Instead it backed the local head of the party, Igor Koshin. Koshin is *persona non grata* in Moscow as United Russia's general council excluded him from the party for not backing the State Duma candidacy of Artur Chilingarov in the December 2003 elections as the federal party had decreed.

The events in Nenets raise the issue of how likely a general rebellion against Putin's policies are. While there is widespread discontent with the Kremlin's policies in the regions, a series of rebellions is unlikely. The more far-sighted of the Russian regional leaders recognize that they are in crisis and have certainly taken into account recent events in Ukraine and Georgia. They realize the need for a new system of resolving differences between the regions and the center, but accept that working within the framework of the old system is not possible. Working effectively within the strengthening vertical of top-down authority currently being established is also unlikely. - Yuri Shabaev in Syktyvkar

## **ETHNIC CONFLICT**

**AFRICAN STUDENT KILLED IN ROSTOV.** African students in Rostov have launched a series of demonstrations to protest the murder of one of their colleagues. The murder of Klarissa Mbang from Cameroon sparked the events. She failed in her effort to matriculate to the philology and journalism faculty at Rostov State University and then

did not leave her foreign student dormitory for her native land within the one month prescribed by law. The dorm's management called in the police to arrest her and take her to a holding facility for people awaiting deportation in the city of Shakhty. Students who witnessed the arrest in the dormitory allege that the police began to beat her in the dorm.

Mbang died in the holding facility from a coma that the doctors could not explain. Representative of the Ministry of Internal Affairs claim that their representatives committed no illegal activities in handling the case.

However, the protocol of Mbang's arrest as well as the results of her initial medical examination upon arrival at the facility have disappeared. The facility is required to keep these records. In such cases, when diplomats intervene and an international scandal begins, such documents disappear and potential witnesses, at least those who are Russian citizens, are frightened to the point that they refuse to provide any testimony.

There have been several cases of skinheads killing foreign students in Russia, but there are fewer incidents of direct police involvement.

Two students were arrested for organizing the protests and released after paying fines. The court ruled that they had not waited for the city authorities to give them a permit to hold the rallies. Currently the authorities claim that the police and holding facility employees were not involved in Mbang's death. - Aleksandr Krasnov in Rostov-na-Donu

## **REGIONAL ECONOMICS**

**MORDOVIA FACES HIGHER GASOLINE PRICES.** Mordovia, a poor, agricultural region, currently has the highest gasoline prices in the Volga region. One liter of the most popular grade, A-92, costs 15 rubles and 70 kopecks, while a liter of AI-95 is 17 rubles (about 50 cents). Gasoline in neighboring regions is 5-10 percent less expensive.

Since the beginning of 2004, the price of gasoline has increased 28 percent, also one of the highest figures in the Volga region. The greatest increase occurred in May, when the price jumped 10 percent.

There are numerous political and economic reasons to explain the high prices. As in the rest of Russia, the price of gasoline in Mordovia rises and falls for political reasons. The local authorities manipulated the price of gasoline in advance of the republic's presidential elections in February 2003 and the Duma and presidential elections in December 2003 and March 2004 respectively. It is not difficult for the regional elite to make these changes because republican president Nikolai Merkushkin's brother Ivan is the general director of the republic's largest gasoline retailer Mordovnefteprodukt. When necessary, he can hold down the growth in the price of gasoline, such as before important elections. However, as a result, the firm raises prices dramatically once the election is over.

Ultimately, though, economic factors play a more important role in price-setting in Mordovia. The retail gasoline market in the republic is highly monopolized. Mordovnefteprodukt sells more than 80 percent of the region's gasoline. With gas stations throughout the region, this company largely sets local prices. The remaining stations are owned by the Tyumen Oil Company, Lukoil, and independent operators. Usually Mordovnefteprodukt raises its prices and the other stations follow suit within two to three weeks.

According to Mordovnefteprodukt spokesperson Svetlana Zaitseva, gasoline and diesel prices are set exclusively by the refineries that produce these fuels and the international market. The main producers in Mordovia are Lukoil, Yukos, and the Ufa refinery. She explained that the lower prices in neighboring regions are a result of the big oil companies' region-specific policies.

However, experts at Mordovia State University see the variations in the different regions as a result of different market conditions in them. Mordovia is distinguished by relatively low demand for gasoline, a result of the fact that few individuals in the republic own cars and few sectors of the local economy require large fleets. The average income in the republic is about 3,000 rubles a month (about \$100). Most drivers only buy 5-10 liters during each visit to the gas station, usually enough for one or two trips.

Commercial users are increasingly replacing gasoline with natural gas as their primary fuel because it is cheaper. This is particularly the situation for private taxi and bus drivers. Even private individuals are making the switch -- more than 10 percent of private cars in the republic now burn natural gas. In these conditions, regional observers claim that gas stations are seeking to insure their income by raising prices on a relatively low volume of sales rather than selling more gasoline. This factor may be the main reason for high gasoline and diesel prices in the region. - Igor Telin in Saransk

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### **American University and the Transnational Crime and Corruption Center**

In a letter to Virginia Governor Robert Brooke, George Washington explained his idea for a great "national university" to be established in the nation's capital city. Washington did not see this university in his lifetime, but approximately one hundred years later, in 1893, Washington's dream was realized when American University (AU) was chartered by an Act of the United States Congress. Through the vision of Methodist Bishop John Fletcher Hurst, the idea of a national university, an idea born with the nation itself, came into being. Today AU is an independent university with more than 11,000 students from all 50 states and nearly 150 foreign countries enrolled in undergraduate, master's, doctoral, and professional degree programs.

The Transnational Crime and Corruption Center (TraCCC) is the first center in the United States devoted to teaching, research, training, and policy advice in transnational crime, corruption and terrorism. Originally founded in 1995 with seed money from the MacArthur Foundation and funded by the United States Government and private foundations, TraCCC's basic goal is to better understand the causes and scope of

transnational crime and corruption and to propose well-grounded policy. Much of our work to date has focused on the analysis of transnational crime and corruption in the countries of the former Soviet Union. In achieving our goals, we work with the public, media, law enforcement, policymaking, legislative, judicial, academic and business communities. To undertake this kind of collaborative work, we have partnered with the best scholars and practitioners in Russia, Ukraine and Georgia through multidisciplinary research centers.

### **The Federal Institute of Technology (ETH) Zurich and the Center for Security Studies**

The Federal Institute of Technology Zurich (ETH, according to its German acronym) was founded by the Swiss government in 1854 as a polytechnic and opened its doors in Zurich in 1855. Until 1969 it was the only national university in Switzerland. Today it is part of the ETH domain, which is made up of the two universities in Zurich and Lausanne (the EPFL) and four national research institutes. The ETH itself comprises 83 institutes and laboratories, 330 professorships, and about 840 lecturers who fulfill teaching obligations and conduct research. A staff of more than 7,500 - 25 percent of whom are women - work in teaching, research and administration. The ETH currently has 11,700 registered students.

The Center for Security Studies specializes in the field of national and international security studies. Activities include research, teaching, and information services. Since its founding in 1986, the center has developed two electronic information services - the International Relations and Security Network (ISN) and the Information Management System for Mine Action (IMSMA). Due to the steady growth in research activities and the increasing number of tasks and functions it undertakes, the center now has a staff of about 75 people working in research and teaching. It is part of an international network of scientific institutions and organizations and cooperates with numerous partners. The center's expertise has made it an important resource for public administrators and the media, and the center functions as a political consultant to the Swiss Federal Government.

### **COMMENTS AND QUESTIONS**

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